The **Budget** in Brief

2002–03

APRIL 4, 2002

NOVA SCOTIA
Department of Finance

A Balanced Approach

www.gov.ns.ca/finance

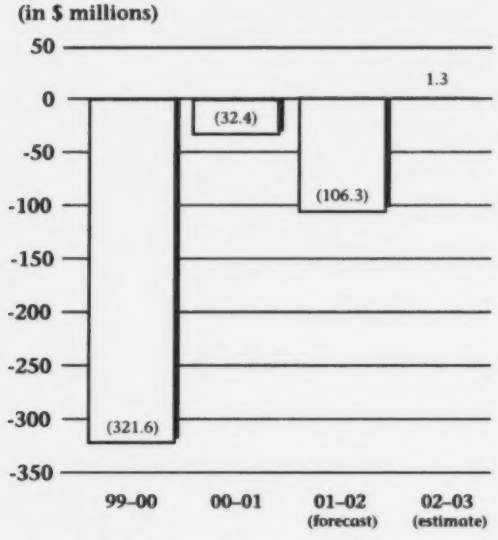
FINALLY ... A BALANCED BUDGET

The 2002–03 budget is Nova Scotia's first balanced budget in 40 years. The government is estimating a surplus of $1.3 million for the fiscal year, achieved through a combination of increased revenues and spending reductions.

Nova Scotia now applies the most transparent and thorough accounting practices in the country to its budget, following generally accepted accounting principles (GAAP).

The 2001–02 budget deficit, originally estimated at $91 million, is now forecast to be $106 million.

1999–00 to 2002–03 Provincial Surplus (Deficit)



(Deficit) Surplus before Provision for Sysco (99–00) and Gain on Sale of NSRL (00–01).

Difficult but necessary choices

Revenues for 2002–03 are estimated at $5.3 billion—a 3.1 per cent, or $159 million, increase over last year. Increased employment and consumer spending are expected through 2002, fueling increases in provincial income and sales taxes.

Fee increases are expected to contribute $26.7 million in additional revenue. The government estimates that $23.2 million will be raised by the two-cent per-litre increase in motive fuel taxes, and an increase in tobacco tax ($5 per carton of cigarettes) will provide another $23.6 million.

The province has directed the Nova Scotia Liquor Corporation to increase profits by $15 million, and the Nova Scotia Gaming Corporation is expecting a $13 million increase in its revenues.

Investing in Nova Scotia's priorities

Net program expenses are estimated to be $4.46 billion, an increase of $45 million from the 2001–02 forecast.

Health spending leads the way, with a $134 million increase over 2001–02. Education spending is also up, by $23 million. Spending in many others areas of government was held virtually flat or reduced. Salary increases account for the majority of expenditure increases.

A new Department of Energy will be created to implement the government's Energy Strategy and ensure the province is positioned to capitalize on Nova Scotia's offshore resources. The Department of Economic Development and the Technology and Science Secretariat have been merged into a new Office of Economic Development.

Health Care: Nova Scotia's number one priority

Fully 44 per cent of government's program spending (not including debt servicing) is in health care. The Health budget will climb to $1.98 billion in 2002–03, a $134 million increase over the previous year. The province's nine district health authorities will receive $61 million in additional funding. Funding for Long Term Care increased by $23 million; Home Care funding increased by $7 million; and $7.8 million will be invested in health information systems.

Summary of Health Spending

(forecast 2001–02 to estimate 2002–03)
(in $ millions)

District health authorities	61.0
Medical payments (physicians)	25.0
Long Term Care	23.0
Home Care Services	7.0
Emergency Health Services	4.7
Pharmacare	4.5
Health information system	7.8
Others (net)	1.0
Total Increased Health Spending	**134.0**

Education: Focusing on fundamentals

The budget funds continued and enhanced programs in reading, writing and mathematics.

The Education budget is increasing by $23 million. Public school education funding has increased by $19 million. Public school enrolment will decline by about 2,200 students this year.

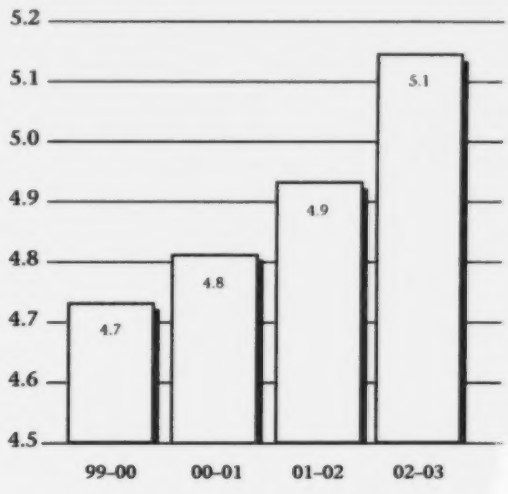
Despite the drop in student numbers, the government has increased funding to public schools by nearly $28 million over the last two years.

More than $86 million will be spent on school construction and renovations.

University funding is unchanged at $201.7 million. The Nova Scotia Community College budget has increased by $4 million, to cover increased salaries.

Funding Per Student

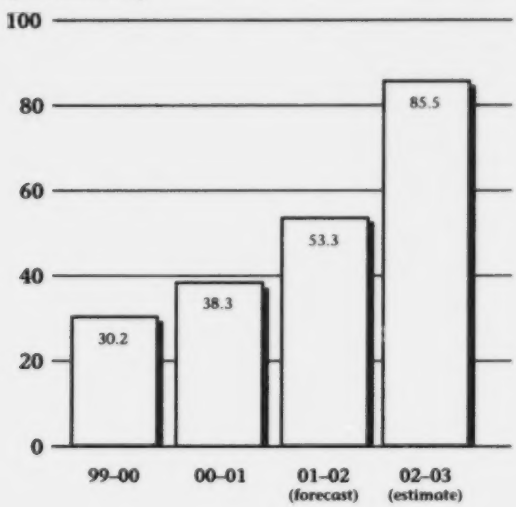
(in $ thousands)



$85 million for roads

In 2002–03, the government will spend $85.5 million improving Nova Scotia's highways, bridges, and roads. That is a $32 million increase from 2001–02, and $55 million more than 1999–2000. All revenue from a two-cent per-litre increase in gasoline tax is included and will be dedicated to improving Nova Scotia's highways, bridges, and roads.

Capital Spending on Highways 1999–00 to 2002–03*



*Includes spending on roads, bridges, land, and ferries.

Nova Scotia's economy: Positive growth

The North American economic downturn in 2001 added uncertainty to economic projections for the year. Real GDP growth is now pegged at 1.5 per cent. Despite the slower growth, Nova Scotia's economy produced some 3,800 new jobs last year.

For 2002, the province is forecasting annual growth of 1.9 per cent. Growth should accelerate later in the year, leading into 2003, when GDP is expected to increase by 3.7 per cent.

In 2002, the provincial economy is expected to create another 3,000 jobs, for a 0.7 per cent increase in total employment. Personal income is expected to grow by 2.7 per cent. Offshore activity continues to act as a significant economic stimulator for the province.

Provincial Forecast Assumptions

	% change		
	2001	2002	2003
Real GDP, 1997$	1.7	1.9	3.7
Employment	0.9*	0.7	2.1
Personal Income	3.1	2.7	4.1
Consumer Price Index	1.8*	1.5	2.0

Sources: *Statistics Canada (actual 2001); Nova Scotia Department of Finance

Forecast Date March 6, 2002

For other 2002–03 budget information, visit the Department of Finance website at <www.gov.ns.ca/finance>.

Education

Budget Background

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Skills agenda will help fill the gap

Halifax: April 4, 2002

There are more jobs available than skilled workers to take them in some sectors of the Nova Scotia economy. The government is determined to help fill the gap, with a skills agenda.

Small businesses, manufacturers, and construction and energy industries are all experiencing labour shortages.

Without action, the gap could get wider. By the year 2025, there will be 130,000 more Nova Scotians over the age of 65 than there are today (Statistics Canada). The demand for skilled workers must be met for the provincial economy to grow.

The Department of Education will lead the government's efforts to develop and implement a skills agenda for Nova Scotia. A new Skills and Learning division will be created in the department to support work-force development. An advisory forum will bring together experts to advise on business, industry, and labour market issues.

The Nova Scotia Community College (NSCC) will play a key role. The college has changed dramatically in recent years to respond to the needs of Nova Scotia's economy with programs that produce skilled workers for the service, information technology, and trades industries.

However, Nova Scotia industries need more workers than the college can provide. In other provinces, about 30 per cent of students who pursue post-secondary education choose college over university. In Nova Scotia, the number is only 17 per cent.

One of the reasons for this imbalance is the lack of space at the NSCC. In 2001–02 the province provided an additional $1 million to the college to add 200 more seats, for a total of 7,600 in full-time core programs. Still, the college cannot meet demand and gets 20,000 applications each year.

To ensure that Nova Scotia's skills gap is closed, the college must grow, and it has proposed a strategy to gradually increase its seats by 50 per cent. Government allocated $1 million in 2001–02 to help the college develop a plan to address its capacity shortfall. The plan will include an analysis of program demand, an assessment of facilities, and a comprehensive financial plan.

Skilled workers must have a basic education, so life-long learning remains a priority for Nova Scotians. The Nova Scotia School for Adult Learning will continue to help adult Nova Scotians open doors to new opportunities through education. Provincial funding for the school will increase by $950,000 this year, for a total of nearly $2 million. The increase will help more Nova Scotians earn credits toward the Nova Scotia High School Diploma for Adults.

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For more 2002–03 budget information:
www.gov.ns.ca/finance

Matching educational needs with future job demands

NOVA SCOTIA

Health

More money for health care

Budget Background

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Halifax: April 4, 2002

The 2002–03 budget for health is $1.98 billion. It is the single largest expenditure by the province, accounting for more than one-third of provincial government spending annually. This year, health care funding increased by $134 million. The additional funding will help to maintain the high standards of care, including additional operational funding for the district health authorities, which will be distributed based on need and demonstrated efficiencies. The budgets for all of the nine district health authorities and the IWK will increase this year. There will be no hospital closures.

What does more money for health care mean for Nova Scotians?

- Construction will proceed for a new hospital to replace Highland View in Amherst and for a replacement facility for the Cobequid Multi-Service Centre. Residents of Yarmouth can expect renovations to continue at their regional hospital.
- $23 million to long-term care and $7 million to home care will help ensure that seniors' and other peoples' care needs are met.
- $1.5 million is being invested next year to help children and youth with mental illnesses.
- $1.8 million will provide services for women and youth with addictions throughout Nova Scotia, with a focus on rural areas.
- Services including renal dialysis will be expanded to meet the growing demand, and there will be improved access to orthopaedic services in northern Nova Scotia.
- Work will continue on implementing a health human resource strategy to help recruit and retain the doctors, nurses, and other health professionals we need.
- Funding will continue for the four primary care demonstration sites previously funded by the federal government. Money has also been set aside to hire four additional nurse practitioners.
- The introduction of an advanced hospital information system linking 33 hospitals—the largest in Canada—will benefit patients, health care professionals, and administrators. It will mean that patients will no longer have to repeat the same medical history over and over, and will reduce wait times for test results and X-rays, and will eliminate duplicate tests.
- $116 million in 2002–03 will go to cover wage increases negotiated last year for doctors, nurses, health care workers, and others.

The year ahead will see improvements to the health care system as well as additional changes in the way health care services are delivered. Care continues to be the focus, as we look for and implement efficiencies that make sense.

$134 million more for health care

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People will get the care they need, in environments that are proven to be clinically sound and follow proven national trends. Decisions will continue to be based on solid information and fact. This is critical if we are to ensure that people get the care that they need at a cost that Nova Scotia taxpayers can afford. Nova Scotia continues to have one of the finest health care systems in the country. This in large part is due to the commitment and hard work of health care practitioners throughout the province including doctors, nurses, volunteers, administrators, care coordinators, and all others.

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Health

Budget Background

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Continuing to invest in Nova Scotia's Nursing Strategy

Halifax: April 4, 2002

A nursing shortage is not unique to Nova Scotia—the rest of Canada and many other parts of the world are facing a similar shortage. The issues that led to this situation took years—in some cases decades—to develop. They can be addressed only with a long-term, comprehensive approach.

Last April, Nova Scotia responded with a $5-million nursing strategy to support district health authorities, long-term care facilities, and Home Care Nova Scotia in their efforts to recruit and retain nurses.

The strategy emphasizes orientation, continuing and specialty education for practising nurses, and co-operative work experience and bursaries for student nurses. It also includes enhanced recruitment initiatives such as relocation allowances and attendance at major job fairs across the country. Several employers are increasing the impact of the strategy by adding their own incentives.

Since the strategy was announced a year ago, many nurses are beginning to benefit from its programs and initiatives. For example:

- 80 per cent of the funding has gone towards orientation and continuing and specialty education for practising RNs and LPNs.
- 60 student nurses have completed paid co-op work terms, and 90 more are beginning this spring.
- 75 RN students received bursaries and have completed or will soon begin service agreements at facilities across the province.
- 46 LPNs received bursaries upon completion of a refresher or pharmacy course, and 95 more are in progress.
- More than 90 new nurses were recruited from outside the province through new recruitment initiatives, including relocation allowances.

To build on the success of the first year, government will continue to invest $5 million in Nova Scotia's Nursing Strategy. A continued commitment to the nursing strategy means that Nova Scotians will benefit from quality nursing care, now and in the future. It will also help ensure that important health care services can be sustained over the long term, as nursing shortages can contribute to issues such as surgery cancellations and bed closures.

Nova Scotia's Nursing Strategy was developed by the Provincial Nursing Network, a group representing nursing employers, educators, professional associations, unions, and practising nurses.

Nurses account for approximately 60 per cent of all health care workers and are a vital part of our health care system.

New initiatives will be added to the strategy later this month. A detailed update is available at <www.gov.ns.ca/health/reports>.

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Nursing strategy makes progress

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Budget Background

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Education

Focusing on education basics

Halifax: April 4, 2002

For students to succeed, they need a solid foundation in the basics—reading, writing and math. The Department of Education will work with teachers and school boards to ensure that students get this foundation in the early years. The department's budget will be targeted to implement the following priorities in 2002–03:

- **Math**

  The department is spending $1 million on Math Matters/Les mathématiques, ça compte, a strategy to help teachers deliver the new math curriculum. About $216,000 will be invested this year in professional development for teachers, and $200,000 will provide practical teaching resources, including sample lesson plans, homework, and other learning activities. Other investments made in 2001–02 include graphing calculators for senior high, fraction block sets for junior high, and books to help elementary students learn math through reading.

- **Reading**

  Active Young Readers/Jeunes lecteurs actifs has brought thousands of new books into classrooms across Nova Scotia. The program will continue to provide materials, professional development, and support for literacy development in grades primary to 6. With $1 million this year, it will expand to include grade 7 English students in September 2002. The program was implemented in francophone and immersion schools in September 2001.

- **Writing**

  Building on the success of the reading program, Writers in Action/Écrivains à l'oeuvre will help teachers deliver the writing components of the language arts curriculum. More than $400,000 will provide a new writing book for each student, as well as more classroom resources and support for teachers. This program begins in grade 4 English classrooms and grades 4 and 7 in francophone schools in September 2002. It will expand through higher grades in the future.

- **Teaching time**

  In addition to books and teacher support, students need time to learn the basics. The department will continue to work with school boards on a Time to Learn strategy. The goal is to improve consistency in daily standards for time spent on mathematics and language arts at the elementary level.

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Skills that make a world of difference

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Service Nova Scotia and Municipal Relations

Education

Budget Bulletin

FOR THE FISCAL YEAR **2002–03**

Province of Nova Scotia

Impact on municipalities

Halifax: April 4, 2002

Nova Scotia's 55 municipalities will collectively be better off financially as a result of the 2002–03 budget and measures announced prior to this budget.

Changes have been made to the municipal equalization program and to Nova Scotia Power Inc. property taxes. As a result of these program changes, the net impact will be an additional $9.2 million in municipal revenues. Municipalities will also benefit from the completion of a five-year agreement, whereby the province assumes all social services costs. For municipalities, this will result in savings of $6.6 million in 2002–03, as those costs are now paid by the province. Over the life of the agreement, the province has assumed over $40 million in social services costs from municipalities. All municipalities benefit financially from this change.

Municipalities will now contribute toward the costs of the Atlantic Provinces Special Education Authority, French Special Programs, and teacher dental and medical premiums. In previous years, the province paid the complete cost of these programs. These programs form part of the cost of school board funding and should be cost-shared by municipalities.

Municipalities will feel the impact of the elimination of restricted licence plates. This change will cost municipalities approximately $1 million each year. In addition, some provincial funding programs that municipalities access have been reduced. The Local Government Studies Program, Community Grants, and the Provincial Capital Assistance Program have been reduced by a total of $400,000. However, these programs still provide a total of $1.75 million for municipal projects.

Overall, despite the fee increases and increased education costs, municipalities are ahead financially, thanks to the equalization and NSPI property tax changes and the transfer of social services costs to the province.

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Municipalities benefit

NOVA SCOTIA

Budget Bulletin

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Energy

Budget sets energy strategy in motion

Halifax: April 4, 2002

In 2001 the Province of Nova Scotia released a long-range strategy to take advantage of energy opportunities. The 2002–03 budget reflects the government's commitment to implement the strategy and advance Nova Scotia's interests on many energy fronts.

Funding for Energy Department

Planning for the creation of a new Department of Energy is well advanced. The search for a deputy minister to manage the department and to implement the strategy is under way. Funding for the new department is included in the 2002–03 budget. Budget estimates show a rise in Petroleum Directorate funding from $5 million (estimate 2001–02) to $7 million in 2002–03. Additional funding for energy-related matters is included in the budget estimate for the Department of Natural Resources.

Implementing the Energy Strategy

Energy is recognized as a critical component of Nova Scotia's economy. Opportunities exist in offshore and onshore exploration and development; new electrical generation; renewable energy; natural gas distribution, and industrial growth through value-added processes. To gain maximum advantage in these areas, the government is revamping training programs; funding the development of a more competitive electricity market; and pressing for Nova Scotia benefits from offshore development. The energy strategy also highlights the need to promote conservation and address the challenges posed by global climate change. Funding is provided in this budget for new initiatives in each of these areas.

Energy Training

The Petroleum Directorate budget estimate for 2002–03 includes approximately $500,000 for training initiatives. Approximately $300,000 is from within existing budgets, and $200,000 is new funding. This includes support for a revised and expanded student co-op program and funding for new training. The student co-op program will now include training in all energy sectors, including opportunities in the offshore and renewable energy.

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Electricity Competition

The Petroleum Directorate budget estimate for 2002–03 includes approximately $200,000 to cover the cost of designing a more competitive electricity market. Electricity sector stakeholders have chosen their representatives on the Electricity Market Governance Committee. The committee will recommend new rules to encourage limited competition in electricity markets as outlined in the energy strategy.

Advancing Nova Scotia's Offshore Interests

A substantial portion of the additional funding included in the Petroleum Directorate's budget estimate for 2002–03 is required to ensure that the province is able to properly advance Nova Scotia's offshore development interests in the Deep Panuke Project. Additional funding will assist in the development of a new geological estimate of Nova Scotia's offshore potential based upon most recent drilling results and seismic data.

Responsible Energy Use

The Nova Scotia energy strategy committed the province to ensuring that our energy resources are used wisely and responsibly. The new Department of Energy will have a broad mandate that includes responsibility for energy conservation and efficiency, as well as for managing the province's interests in reducing the greenhouse gas emissions that cause global climate change. Approximately $400,000 in funding is included in the Petroleum Directorate budget estimate for 2002–03 for these initiatives.

Offshore Revenues

The recent rebound in North American natural gas prices supports a positive outlook for offshore royalty revenues to the province. Royalty payments from the offshore are estimated to reach $10 million in 2002–03, consistent with the 2001–02 forecast. The royalty rate on the Sable Offshore Energy Project (SOEP) is fixed at 1 per cent of revenues for the first three years of the project. Accordingly the rate cap will be removed at the end of 2002. The government expects project owners to have recovered a significant portion of the investment at this time. The minimum royalty payment for 2003 will therefore be two per cent of gross revenues.

Royalty rates increase as the owners' investment is recovered and project returns accumulate. After a reasonable return is achieved, rates will switch from being calculated on gross revenues to being calculated on net revenues. Net revenues are the gross revenues from the project less the direct expenditures.

The current long-term projection of $1.6–2.3 billion in royalties from SOEP recognizes the inherent uncertainty in natural gas prices. The projection includes a variability in natural gas prices of +/– $0.25 US per million btu.

Natural gas price assumptions are based upon NYMEX futures market prices, royalty estimates, historic movement in commodity prices, actual sale proceeds, and the terms of sale contracts. At the time of preparing the budget estimate, the NYMEX natural gas futures prices were $2.50 US for 2002 and $3.00 US for 2003. On a full-year basis a shift of $0.25 +/– would change royalty revenue by approximately $1.0 million.

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For more 2002–03 budget information:
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Budget Bulletin

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Community Services

Justice

Family violence programs will be redesigned

Halifax: April 4, 2002

In 2002–03, the Department of Community Services will undertake a redesign of family violence and outreach programs in Nova Scotia. Current programs, including transition houses, women's centres, and men's treatment programs, were developed over the last 20-plus years, based on individual community needs and often operate independently of one other. This is not practical or efficient.

Beginning immediately, the department will examine all family violence–related programs to ensure that there is a range of services to assist families in preventing or dealing with the aftermath of family violence. The redesign will have an emphasis on outreach programs, as the department works to become more efficient in the delivery of family violence program initiatives.

This work will allow a more effective response to the changing needs of communities, reduce unused capacity in the system, and place resources where they are most needed. For example, there is an increasing demand for outreach services in many communities, yet programs are not currently designed around outreach services. On the other hand, transition houses provide shelter services that are staffed to expect full capacity around the clock, seven days per week, even though some facilities operate with a vacancy rate of 50 per cent or more.

Over the coming weeks, the department will begin looking for ways to deliver these programs to meet the needs of families in crisis within the department's existing resources, which this year will see a reduction of $890,000 for this sector. Staff will begin consulting with program providers for their input immediately. The goal is to make changes that ensure that no person in need of service will go without. The department expects to have redesigned programs operational by this fall.

In addition to this work by the Department of Community Services, domestic violence legislation will ensure that victims can immediately apply for emergency protection orders, so their safety and economic well-being may be protected. The Department of Justice has set aside $300,000 to create a justice learning centre in Truro. It will provide training for justice personnel and will begin with a focus on family violence. In addition, $157,000 is set aside to establish victim assistance coordinator positions to work with police agencies and develop risk-assessment strategies. The department will also develop and administer protocols for response to high-risk cases.

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Budget Bulletin

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Finance

Revenue up from many sources

Halifax: April 4, 2002

The province is expecting an increase of about $159 million in revenue in fiscal 2002–03, compared to the current forecast for 2001–02. Total revenues for fiscal 2002–03 are expected to reach $5.31 billion, up from $5.15 billion now forecast for 2001–02. A growing provincial economy, gas and tobacco tax increases, higher fees, and higher profits from provincial Crown corporations account for virtually all the increase.

The government has asked the Nova Scotia Liquor Corporation to increase its profits by about $15 million, to $160 million in 2002–03. The Nova Scotia Liquor Corporation's business-like approach to revenue generation, marketing, and promotion will help achieve higher returns based on retail price increases and improved efficiencies.

The Nova Scotia Gaming Corporation expects to increase its overall profits by $13 million in 2002–03. The Gaming Corporation anticipates total net revenues of $170.3 million for the year.

Economic growth will account for additional revenues, as Nova Scotia is expected to recover from the sluggish after-effects of 2001, with increasing growth through 2002. Growth is expected to accelerate to a healthy 3.7 per cent in 2003.

Increased employment is expected to add about $40 million in personal income tax revenue to the province in 2002–03. Consumer confidence is expected to remain strong, resulting in an increase in sales tax revenue of $36 million. These gains are partially offset by revenue declines elsewhere, including those from federal sources.

Nova Scotia is paying more of its own way. Three years ago the split in provincial/federal revenues was about 62/38. In 2002–03, 64 per cent of the province's revenue is coming from "provincial sources" and only 36 per cent from Ottawa.

Tax increases for gasoline, tobacco, and gypsum production will amount to $47.1 million in added revenue in 2002–03.

The gas tax increases two cents per litre, from 13.5 cents to 15.5 cents, midnight April 4. The increase will add $23.2 million, all of which is dedicated to highway improvements.

A carton of cigarettes increases by $5 in provincial tax, and the taxes on other tobacco products increase accordingly, also effective midnight, April 4. This measure will bring in $23.6 million.

The gypsum tax will increase by four cents per ton and is expected to add $300,000 in revenue. The tax had not been adjusted since 1975 and goes from 12 cents to 16 cents per ton.

Increases in user fees, cost recoveries, and the Pharmacare premium total $26.5 million.

NOVA SCOTIA

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Finance

Tax measures

Budget Bulletin

FOR THE FISCAL YEAR **2002–03**

Province of Nova Scotia

Halifax: April 4, 2002

The Nova Scotia government has announced three tax increases and one extension in its 2002–03 budget. Individuals and businesses are affected.

- **Provincial Motive Fuel (Gasoline) Tax: Two cent per litre increase**

  Nova Scotians have been asking the government to invest in the province's transportation infrastructure. The Nova Scotia government will dedicate 100 per cent of increased revenue from its gasoline tax to improve highways, roads, and bridges. Effective midnight, April 4, 2002, the provincial gasoline tax will increase from 13.5 cents to 15.5 cents per litre of gasoline. The tax on diesel fuel will remain the same. Approximately $23.2 million in additional revenue will be dedicated to highway improvements such as 100-series construction, repaving of routes and trunk highways, and cost-shared paving of subdivision streets. The motive fuel tax was last increased in 1993.

- **Tobacco Tax: Increases for all tobacco products**

  The greatest deterrent to smoking, especially for young people, is higher cigarette prices. Effective midnight, April 4, 2002, the Nova Scotia government will increase tobacco taxes by $5.00 per carton of 200 cigarettes, bringing the provincial tax on a carton of cigarettes to $21.04. The tax for cigarette sticks will increase by $7.86 for 200. Fine-cut tobacco will rise by $7.06 per 200 grams. This is in keeping with recent tobacco tax increases in other provinces, including Prince Edward Island and Newfoundland. Nova Scotia expects to raise an additional $23.6 million in tobacco tax revenue. The government estimates that it will collect a total of $138.5 million in tobacco taxes for 2002–03.

- **Gypsum Tax: Four cent per ton increase**

  Nova Scotia is a world-class gypsum producer, accounting for 85 per cent of Canada's production and seven per cent of world production. There are four gypsum operators in the province. All gypsum operators currently pay a tax of 12 cents per ton, a rate that has not changed since 1975. Effective immediately, the rate will increase 4 cents, to 16 cents per ton. This increase is expected to produce $300,000 in new revenue. The government estimates that it will collect a total of $1.2 million in gypsum tax for 2002–03.

NOVA SCOTIA

Tax Extension

- **Large Corporations Tax: Extended to March 31, 2004**

  In October 2001, Finance Minister Neil LeBlanc advised the business community that the Large Corporations Tax, which was set to expire this year, would continue for at least one more year.

  The province currently collects approximately $42.6 million from about 1,040 companies paying the Large Corporations Tax. The tax rate will not change, but the tax is further extended to March 31, 2004. The capital tax was first applied six years ago to offset the gains accruing to businesses after the introduction of the HST.

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Budget Bulletin

FOR THE FISCAL YEAR **2002–03**

Province of Nova Scotia

Finance

Changes to fees and recoveries

Halifax: April 4, 2002

Government will raise a total of $26.5 million through new user fees, increases, and higher cost recoveries on existing fees.

2002–03 Budget

Government announced three new revenue measures in the budget, totalling $4.22 million in revenue increases. These fees are effective at midnight, April 4, 2002.

- **Unlimited Liability Companies: $3.2 million**

  The registration fee for an unlimited liability company will increase to $2,000 from $335. The annual fee increases to $1,000.

- **Ambulance User Fee: $1.0 million**

  This year the cost of an ambulance transport from home to hospital will increase from $85 to $105. The cost of a transport for an insurance related claim (e.g. motor vehicle collision) will increase from $500 to $600. The total ambulance fee increase is estimated to bring in $1 million in revenue.

- **International Adoption Fee $0.02 million**

  The fee for international adoptions will increase to $600 per application, for a total increase in revenue of $16,000.

Previously Announced Fees and Recoveries Schedule

Previously released fee and recovery changes will contribute $22.5 million in revenue. These measures are mainly increases to various licensing and administrative fees collected by several provincial government departments. These cost-recoveries reflect as much as possible the cost of providing these services. Some of these measures will directly contribute to better safety and environmental protection for Nova Scotians. Many of these changes took effect April 1. A new Pharmacare fee structure was announced earlier which brings in $4.5 million in revenue. Fees collected through Freedom of Information and Protection of Privacy (FOIPOP) applications will account for $175,000.

NOVA SCOTIA
Department of Finance

New Fees, Taxes and Revenues 2002–03

(in $ millions)

Announcements up to March 26	22.5
Fees Announced on Budget Day	
Unlimited Liability Companies	3.2
Ambulance User Fees	1.0
International Adoption	0.02
Taxes Announced on Budget Day	
Gas Tax 2 cents/litre	23.2
Tobacco $5/carton	23.6
Gypsum Tax 16 cents/ton	0.3
Increased Revenue	
Nova Scotia Liquor Corporation	15.0
Nova Scotia Gaming Corporation	13.1
Total Fees, Taxes and Revenues 2002–03	**101.9**

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For more 2002–03 budget information:
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Budget Bulletin

FOR THE FISCAL YEAR **2002–03**

Province of Nova Scotia

Health

Positive implications of health budget increase to continuing care programming

Halifax: April 4, 2002

The province is committed to offering Nova Scotians the right care at the right time in the right place. This broadens the definition of health care to add a greater emphasis to care provided outside a hospital setting.

Continuing care provides an array of services to support people in their community. It includes home care, nursing home care, and protection for vulnerable adults.

In recognition of the widening scope of health care, the number one priority in the Department of Health for the coming fiscal year is continuing care. This is a commitment to provide the necessary services to help support the independence and well-being of seniors and others who need care on a daily basis for either long-term or short-term health problems. Examples of this type of care include nursing homes, homes for the aged, and smaller homes such as residential care facilities and community-based options homes, as well as providing home oxygen, nursing, and/or personal care at home.

Increasing the budget in continuing care will enable the Department of Health to enhance its help to people who can benefit from support in their homes or communities. It's interesting to note that less than half of the health budget goes to the district health authorities. A greater percentage is needed in program areas such as continuing care to meet the increasing demand for care outside hospitals.

Single entry access is the new and simplified approach to connecting Nova Scotians to the continuing care they need—an example of meeting demand with enhanced service. The former Home Care Nova Scotia toll-free number provides one contact for seniors and others to connect with Continuing Care in this province.

Additional investments in continuing care this year include the following:

- **Long Term Care**

  The budget for long-term care in Nova Scotia is $204.4 million this year, an increase of $23 million. This money will go to improving the living environment for residents through capital improvements, upgraded accommodations, and increased money for daily operating costs. The value of long-term care staff is being recognized through increased employee benefits, in particular workers' compensation benefits.

- **Home Care**

  Home care spending will increase by $7 million. An additional $1 million has been given to the single entry access process to ensure its stability through this introductory year. Money was added to the budget to continue the development of home care services to best respond to the needs of clients. In addition, money was added to the home care budget base for increased salary costs, including nursing.

NOVA SCOTIA

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For more 2002–03 budget information:
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Budget Bulletin

FOR THE FISCAL YEAR **2002-03**

Province of Nova Scotia

Health

Budget continues to support information management initiatives

Halifax: April 4, 2002

The Department of Health is involved in two major information technology initiatives designed to improve patient care, ease the workload of health care providers, and enhance health service delivery.

The hospital information system project will link 33 hospitals in Nova Scotia, allowing, among other things, the creation of an electronic health record that can be shared among facilities to improve patient care. This will benefit the patient and the provider, especially during emergencies when timely information can save lives.

The second initiative is Health Infostructure Atlantic (HIA)—an alliance of the four Atlantic provinces to implement several information technology projects. HIA received $12 million in funding from the federal government, matched by the same amount from the four provinces to implement several initiatives to enhance health service delivery. One of the initiatives is the Tele-i4 project, which will allow radiology images to be transferred across Atlantic Canada to specialty hospitals.

Nova Scotia has been lagging behind the rest of the country in the implementation of information management initiatives in the health care sector. The Hospital Information System project and HIA will ensure that our health care system—its patients and providers—have the information technology infrastructure they need to enhance care and improve working conditions.

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For more 2002–03 budget information:
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Information links to improve care

NOVA SCOTIA

Budget Bulletin

FOR THE FISCAL YEAR **2002–03**

Province of Nova Scotia

Health

Province changes eligibility for children's dental program

Halifax: April 4, 2002

Nova Scotia will no longer be the primary insurer for the Children's Oral Health Program. Effective May 1, 2002, private insurance companies will cover the cost of dental care for children aged 10 years and younger whose families are insured. The province will continue to cover the costs of care for those children whose families do not have private insurance.

The children's dental program cost Nova Scotia over $7.3 million in 2001–02. The number of children insured under the program is 108,500. Program funding is reduced by $4.35 million in 2002–03. Health Canada Statistics estimate that approximately 50 per cent of Nova Scotians over the age of 14 are covered under private dental plans.

The government is working to ensure that its limited health care dollars assist in areas where they are needed most. Included in this funding are a variety of ancillary programs—programs that the Canada Health Act does not mandate. The Children's Oral Health Program (COHP) is one such program. Until now, the province provided dental care on a universal basis to all children up to the end of the month in which they reach their 10th birthday.

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Budget Bulletin

FOR THE FISCAL YEAR **2002–03**

Province of Nova Scotia

Transportation and Public Works

Major commitment to roads and bridges

Halifax: April 4, 2002

The government is making a major commitment to roads, bridges, and ferries with $85.5 million in capital funding—an increase of $32 million over 2001–02.

Nova Scotians recognize that our 23,000 kilometres of roads and highways support just about everything we do. That's why the provincial government has announced a significant increase in capital funding for improvements that will mean better, safer roads in our communities.

Fiscal 2002–03 marks the third consecutive year that the provincial government has increased capital funding for roads and bridges. It furthers a commitment to increase funding for road construction by $31 million dollars over a three-year period. That's on top of the additional $10 million in annual maintenance funding for rural roads.

Still, Nova Scotia faces an uphill battle. The department's 10-year needs assessment suggests that significant investments must be made over the next decade to bring our roads and bridges to acceptable standards.

While we continue to make strategic investments in our transportation system, we will also seek more substantial long-term funding from the federal government. Ottawa should contribute its fair share. Recent statistics show that the federal government reinvests less than three per cent of revenues from gasoline taxes it collects in Nova Scotia.

In the meantime, basic improvements cannot wait. The province is increasing its gasoline taxes by two cents per litre, effective midnight, April 4, 2002. The additional revenue will fund highway improvements such as 100-series construction, repaving routes and trunk highways that enhance local economic development, and cost-shared paving of subdivision streets.

Higher revenues from new ticket and cash fares on the provincially owned ferry system will also ensure that users pay a greater share of the cost of operating this service.

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$85 million for roads

NOVA SCOTIA

Nova Scotia **Budget**

FOR THE FISCAL YEAR **2002-03**

The Honourable Neil J. LeBlanc,
Minister of Finance

Nova Scotia House of Assembly
April 4, 2002

NOVA SCOTIA
Department of Finance

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for Budget Address 2002-03

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Finally ... a Balanced Budget

Mr. Speaker, for 40 years Nova Scotia has been living beyond its means.

For 40 years, successive governments have been running back and forth to the bank to pay for day-to-day operations.

A turning point

Mr. Speaker, government started out by borrowing small amounts that grew and grew—and that continued to grow and grow, year in and year out—to the point where this year Nova Scotia taxpayers will hand over $865 million to distant bankers. That's almost $2.4 million a day ... almost $100,000 per hour.

In fact, this year, like last year, we will spend more paying interest on the debt than we will educating every Nova Scotia student from primary to grade 12.

The ramifications of 40 years of borrowing are clear. The debt is not only robbing all Nova Scotians of opportunities today; if left unchecked, it will rob our children of the kind of hope, opportunity, choice, and prosperity we all want for them tomorrow.

I know, Mr. Speaker, Nova Scotians have grown tired of hearing about the deficit.

I'm sure they're even more tired of living with the uncertainty that comes with every budget.

The simple truth is, the more we borrow, the more uncertain things become.

Our creditors become more uncertain. Potential investors become more uncertain.

More importantly, the more uncertain we become as parents and grandparents about the services that will be there for us, the more uncertain we become about the services that will be there for our children and grandchildren.

Mr. Speaker, there is no magic, mystery, or uncertainty in this. Stubborn, successive, unrelenting deficits stymie growth, restrict investment, kill new jobs, and limit the new revenue needed to respond to the priorities of Nova Scotians.

Budget is balanced for the first time in 40 years

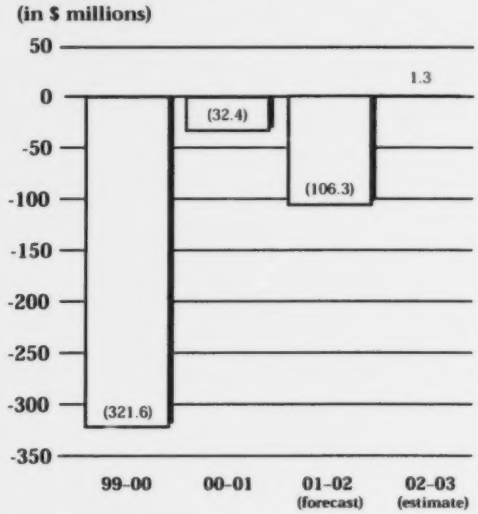
And that is why today this government is embracing our collective responsibility to all Nova Scotians—particularly our children.

That is why today I am proud to rise and present Nova Scotia's first truly balanced budget in 40 years.

And let there be no mistake, this is an all-in budget, reflecting all of our current spending commitments—something previous governments in past budgets failed to do. Since coming to office, we have ensured that the books of the province follow the most transparent accounting practices in the country.

Mr. Speaker, the bottom line for 2002–03 is a truly balanced budget.

1999–00 to 2002–03 Provincial Surplus (Deficit)



(Deficit) Surplus before Provision for Sysco (99–00) and Gain on Sale of NSRL (00–01).

Burden of Debt Remains

It has taken 40 years to get to where we are today. During that time we have built up a huge debt. The burden of debt we carry as a province will be with us and with our children for many years to come.

But that is no excuse for inaction.

On the contrary, Nova Scotia's debt, now at $11.6 billion, demands that we act now.

Can't deal with the debt until we deal with the deficit

Over the past decade, just the last 10 years, Mr. Speaker, that debt has cost Nova Scotians more than $7 billion in debt-servicing costs. It amounts to a long list of lost opportunities.

What $7 billion could buy in 2002–03:
(in $ billions)

100 new schools at $15 million each	1.5
Fix all the roads in the 10-year plan	3.4
Replace every piece of outdated medical equipment	0.5
Give one year holiday from provincial income taxes	1.3
Reduce the provincial portion of the HST by 1/3	0.3
Total	**7.0**

Mr. Speaker, I want to make something clear. Something I believe is often misunderstood. We can't deal with the debt until we deal with the deficit. It is impossible to start paying down the debt—it is impossible to begin to ease the burden on our children—until we end the costly practice of spending more money on programs and services each year than we collect in yearly revenues.

Let me use an analogy. We've been paying for the groceries by taking out a second, third, and fourth mortgage on the house—a house in desperate need of repair.

Mr. Speaker, more of the same will result in one of two things. The house will either collapse around us or eventually be seized by the banks. In either case, the kids move out.

The government will live within its means.

Most Nova Scotians understand we cannot continue down the same path.

In fact, every member in this House agrees that we need to end deficit spending.

Where this government differs from the opposition is that we believe 40 years is long enough. This government will live within its means.

This budget does not fudge our commitment with empty assurances, like "We will balance the budget ... but only when the time it right."

No, Mr. Speaker, this government made a commitment to present a truly honest and truly balanced budget in the third year of our mandate. And this budget honours that commitment.

Investing in Nova Scotia's Priorities

Honouring our commitments

As well, this budget, along with every other budget we have presented to this House, honours our commitment to protect the priorities of Nova Scotians.

Contrary to what many Nova Scotians have been led to believe, we have not cut health care spending. We have not cut education spending. We have not cut the amount of money we spend to support the disadvantaged. Nor have we cut the budget for road or highway improvements.

Again I repeat, Mr. Speaker, we're not balancing the budget by cutting. We're balancing the budget by focusing on Nova Scotia's priorities ... by getting out of money-losing industries ... by investing in new efficiencies ... by basing decisions on evidence ... and yes, Mr. Speaker, by calling on those who benefit from government services to pay more.

In fact, the record shows that in the first two years of our mandate we added tens of millions of new dollars to respond to the priorities of Nova Scotians.

During this same time we expanded front-line services to rural Nova Scotia, provided unprecedented assistance to Nova Scotia's farmers, and directed millions of dollars into sustaining our forests.

And, Mr. Speaker, we did all of this and more and still met our commitment to present a budget today that eliminates the $500 million deficit we faced the day we took office.

We did all of this without increasing provincial income tax, without introducing new toll roads, and without forcing wage roll backs or mandatory unpaid leave on the public service.

Reduction in federal transfers of almost $1.0 billion over eight years

And we did all of this despite reduced federal transfers for health, education, and social services that are only now returning to 1994–95 levels. In fact, the cumulative reduction in federal transfers to Nova Scotia over the past eight years amounts to almost $1 billion.

Mr. Speaker, this year we are once again increasing funding for health, for education, to support the disadvantaged, and to improve the condition of our roads and highways.

We are once again fulfilling our commitment to protect and invest in the priorities of Nova Scotians.

Nova Scotians Deserve the Credit

Mr. Speaker, while this government set the course and stayed on course to arrive at a balanced budget, the credit for achieving this milestone rests with Nova Scotians.

Nova Scotians have shown patience

Nova Scotians have shown incredible patience.

They've shown great tolerance after more than a decade of unkept promises to balance the budget, after seeing the list of pent-up demands grow and continue to grow as debt-servicing costs cut deeper into the next year's budget.

Kids ... Common Sense ... Nova Scotia Values

Mr. Speaker, this budget begins to put things right by our children. It respects and responds to Nova Scotians' collective desire to see that they have opportunity for success and enjoy a quality of life second to none—right here at home.

This budget says it only makes sense that we spend every available dollar on things that are worthwhile, such as buying books for Nova Scotia's students instead of Bentleys for New York bankers.

This budget respects and responds to Nova Scotians who work hard to live within their budgets and who expect nothing less of their government.

Mr. Speaker, this budget is about our children. It's about common sense. It's about respecting Nova Scotia values.

This budget is about children, common sense, and Nova Scotia values

HealthCare: Nova Scotia's Number One Priority

The number one priority of Nova Scotians is health care. And like most Canadians, it's also their number one concern.

It's also the number one concern of this government.

An aging population, rising drug costs, expensive new technologies, and heated competition for scarce health care professionals means that health care is eating up more and more of Nova Scotia's available program dollars. Fully 44 per cent of government's program spending now goes to meet the health care needs of Nova Scotians.

And because health care costs are growing at a faster rate than our economy, there is less new money to respond to the growing demands we see in virtually every other area of government. There is less new money to respond to the needs of our students, less new money to maintain our roads, less new money to invest in public safety.

Mr. Speaker, that is why we are making the kind of decisions that will better control those things that unnecessarily drive up costs—things like unhealthy lifestyles, lack of good information, outdated practices, and duplication of services.

Mr. Speaker, to address unhealthy lifestyles we are continuing to support *Active Kids ... Healthy Kids*, a multi-year initiative involving community-based sport and recreation organizations across the province. The goal is to provide more young Nova Scotians with the opportunity to become more active and, in the process, Mr. Speaker, more physically fit.

As well, we are increasing the cost of cigarettes by five dollars per carton, effective midnight tonight. Mr. Speaker, this is one of the most effective ways to encourage smokers to quit and one of the most effective ways to stop young people from picking up the deadly habit.

We are also stepping up efforts to ensure that our drinking water, and our child care centres are safe.

Health care decisions based on evidence, best practices

Mr. Speaker, good health information is vital to good health care decisions. This budget includes $7.8 million to ensure our health care providers have the information needed to provide the best possible care to Nova Scotians.

Mr. Speaker, we are making decisions based on evidence and best practices.

That is why we are asking Nova Scotians to accept that we can provide more efficient health care—and in many cases better health care—by consolidating a limited number of services in hospitals that have the best technology and the best mix of health care professionals to meet patient needs.

It is simply no longer practical to think we can provide every service in every community. In fact, the evidence shows that in some cases it's not in the best interests of patients.

Cigarettes increased $5 per carton

$134 Million More for Health

Mr. Speaker, this budget increases health care spending by $134 million, bringing the total health care budget to $1.98 billion dollars.

Budget to budget, funding for district health authorities is increasing by $87.5 million: $65 million for wages, with a further $22.5 million directed to front-line health care. After funding their 2001–02 year end deficits, the amount of new dollars for the DHAs is $61 million.

This budget also includes an additional $23 million to meet the long-term care needs of Nova Scotians and almost $7 million more to respond to Nova Scotia's growing home care needs.

Summary of Health Spending
(forecast 2001–02 to estimate 2002–03)
(in $ millions)

District health authorities	61.0
Medical payments (physicians)	25.0
Long Term Care	23.0
Home Care Services	7.0
Emergency Health Services	4.7
Pharmacare	4.5
Health information system	7.8
Others (net)	1.0
Total Increased Health Spending	**134.0**

$30 million more for long-term and home care

Investing more in health care priorities

And despite the difficult financial times we are in, we are investing in many other health care priorities

- $1.5 million for mental health services
- $1.8 million to help women and youth with addiction
- $420,000 to increase the number of nurse practitioners
- $1.0 million to reduce tobacco consumption
- $5.4 million more to provide special drugs to those in need

Again, the year-over-year increase in health care spending—as substantial as it is—won't address every new demand.

But make no mistake, this government is providing all it can to ensure that health care is there for Nova Scotians today. We are doing everything possible to ensure that it is there for our children tomorrow.

Ottawa's Indifference

Unfortunately, the same cannot be said about Ottawa.

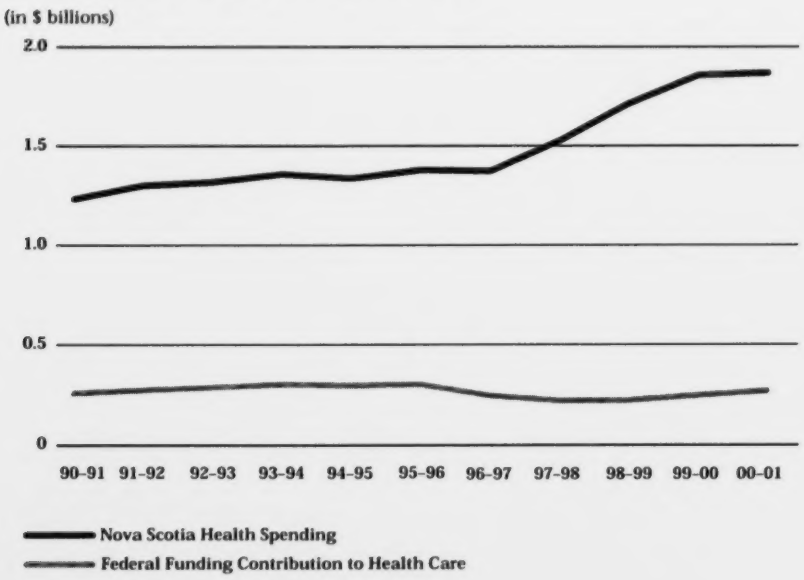
When medicare was first introduced, the costs were split 50-50 between Ottawa and the provinces. Today, Ottawa contributes just 14 cents of every dollar.

Ottawa contributes just 14 cents per health care dollar

Mr. Speaker, at the same time as Ottawa was cutting back on paying its fair share of the health care bill, costs were going through the roof. The result is that Nova Scotia has been forced to contribute a larger and larger share of its program dollars to health care.

And, because we have some of the highest chronic disease rates in the country, our per capita health costs are well above the national average. Again, something Ottawa ignores.

Nova Scotia Health Spending Compared to Federal Contributions



It's been difficult for all provinces, Mr. Speaker. But it's been particularly difficult for smaller provinces like Nova Scotia. We simply don't have the same fiscal capacity as the larger, richer provinces to absorb massive cost increases.

And because of this, we have less revenue than Alberta or Ontario, for example, to take advantage of federal-provincial cost-shared programs, to fix outdated infrastructure, to cut taxes, or to create new jobs. These are the things that generate the revenue needed to sustain health care and other vital services. These are the things that Ottawa seems to believe Nova Scotians can do without.

Mr. Speaker, Ottawa likes to talk about one Canada.

Federal policy contributes to greater divide

The fact is, it makes policy and funding decisions that contribute to an even greater divide.

This is wrong.

And, Mr. Speaker, here's something else that's terribly wrong.

Nova Scotians have a once-in a-lifetime opportunity—the opportunity presented by our own offshore resources—to narrow the gap.

Unfortunately, Ottawa is standing in our way.

Despite a signed agreement saying that Nova Scotia would be the principal beneficiary from the development of its offshore, Ottawa continues to take 81 cents of every dollar the offshore brings in. This limits the amount of new revenue we have to invest in better health care, a better education system, and a stronger economy.

Mr. Speaker, Ottawa is taking Nova Scotia's best chance to narrow the gap.

It continues to take Nova Scotia's best chance to leave our children a legacy of real prosperity instead of lost potential.

And it's wrong Mr. Speaker ... it's dead wrong.

Education: Focusing on the Fundamentals

Mr. Speaker, this budget speaks loudly about the need to begin eliminating the burden of debt on our children. But, that burden will not be lifted if we rob them of a good education today.

From day one, this government has said there is a need to focus more on the fundamentals of all learning—reading, writing, and mathematics.

Again, Mr Speaker, we have remained true to our word. We have invested millions of new dollars to help our youngest learners become enthusiastic readers through Active Young Readers, Reading Recovery, and Read to Me. In fact, Active Young Readers alone has put 425,000 new books into the hands of our youngest students.

Skills that make a world of difference

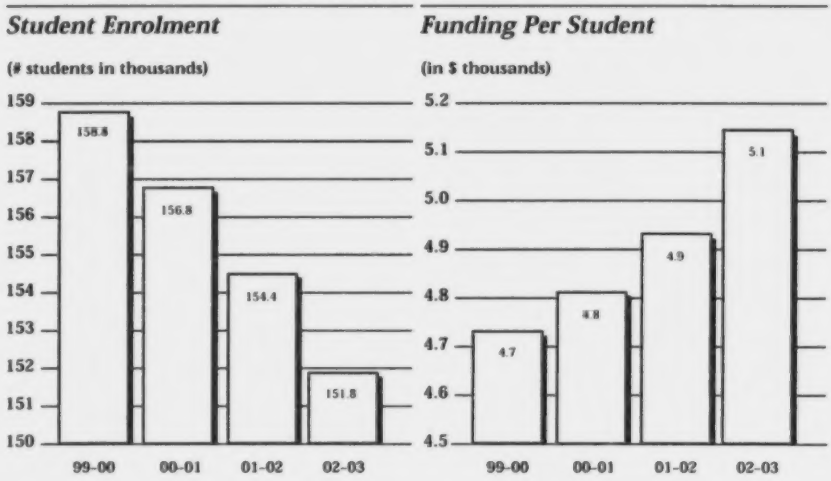
And this year, Mr. Speaker, the Writers in Action program will help ensure that our children learn grammar, writing, and speaking skills—skills that can make a world of difference, the difference between success or failure.

Over the past three years, this government has provided the funding to give every student from grade 7 to grade 12 a mathematics textbook. Mr. Speaker, something as basic as this shouldn't be remarkable or even noteworthy, but it is. Why? Because it hasn't always been a priority with past governments. It is with this one. This government believes that math matters. We are therefore building on our earlier investments by expanding foundation courses to help struggling students learn the value and benefits of a good understanding of math.

These are just some of the new efforts government is making to ensure that our children have the reading, writing, and math skills they need to continue to learn throughout their lives.

These are just some of the educational priorities we continue to support through this budget.

Mr. Speaker, over the past five years student enrolment declined by more than 10,000 students, while the number of teachers remained relatively constant. It is anticipated that the decline in student population will continue for some time to come, with a reduction of more than 2,200 students again this year.



Public school education funding increased by $19 million

Despite the drop in student numbers, this government has increased funding to public school education by nearly $28 million over the last two years, resulting in a significant increase in per student funding.

Public school education funding will increase again this year by another $19 million, from $792 million to $811 million.

Capital spending on schools increases

Mr. Speaker, the education budget also includes $76 million for new schools and $13 million for renovations, bringing the total amount to be spent this year on new schools, schools under construction, and renovations to over $89 million.

Au cours de l'année 2001-02, on avait remis en question l'utilisation des fonds fédéraux envers l'éducation en français langue premiére.

Translation: In the last fiscal year, the use of federal funding marked specifically for French educational services had been the subject of some controversy.

À ce moment, la Province a pris l'initiative de former un comité qui regroupait tous les intervenants dans le domaine des services éducatifs en français.

The province decided at that point to form a committee bringing together all parties involved in French educational services.

Je suis content d'annoncer que le comité est arrivé à un consensus que les fonds fédéraux destinés à l'éducation en "français langue premiére" avaient effectivement servi la communauté acadienne de la Nouvelle-Écosse.

I am very pleased to say that the group arrived at a consensus that the federal funding marked for educational services to the Acadian community was used exactly for that purpose.

This budget also increases funding for Nova Scotia's first school of adult learning, bringing this year's funding to almost $2 million. This successful new initiative is giving literally hundreds of Nova Scotians the education they need to do better and the confidence they need to set and achieve higher goals for themselves and their families.

Let me point out that the bulk of the increase in school board funding includes a 2 per cent wage increase for teachers this year, with an additional 2 per cent in each of the following two years.

The Education budget also includes $21 million to meet government's existing contractual obligations with the Nova Scotia Teachers Union to fund 100 per cent of the life, medical, and dental premiums for Nova Scotia's teachers—something currently under negotiation.

Mr. Speaker, wages and benefits for our public school system cost in excess of $600 million. Every 1 per cent increase in salaries means we need to find an additional $6 million from somewhere else.

We believe that the amount budgeted is reasonable, fair, and affordable.

Again, let me repeat: funding for the public school system is going up, not down.

The level of funding we are providing to educate our students is more, not less.

Every dollar meant for the classroom must go to the classroom

Mr. Speaker this government expects, and we will ensure, that every dollar meant for the classroom goes to the classroom.

Where accountability or proper spending controls are not already firmly in place, they will be shortly.

As well, new spending restrictions will be introduced to ensure that school boards focus squarely on the classroom and never again on the boardrooms of private-sector ventures.

Post-Secondary Education

Mr. Speaker, last year, this government increased funding to the community college system by over $5 million, creating hundreds of new opportunities for young Nova Scotians to pursue careers that are in demand.

To protect this investment, funding for community colleges will once again be increased—by another $4 million. The additional money will relieve funding pressures resulting from wage increases, enabling the community college system to continue to deliver its current range of course offerings.

In addition, $1 million has been paid from the 2001–02 budget for the community college system to identify future needs and future opportunities to help more young Nova Scotians get the skills they need.

As with the public school system and the community college system, this government increased funding to universities in the first two years of its mandate.

University funding stable

Monsieur le Président, en ces temps de grandes coupures et de réductions, alors que l'argent se fait rare et que demandes augmentent, nous avons réussi à maintenir l'aide financière à nos universitiés aux montants de 201$ million. En plus de cette assistance, une somme de 500,000$ est destinée au fusionnement de l'Université Sainte-Anne et du Collège de l'Acadie – une initiative vitale qui protègera et rehaussera les chances d'éducation et de formation pour les Acadiens et les Acadiennes de la Nouvelle-Écosse.

Translation: Mr. Speaker, at a time when dollars are scarce, demands are high, and other program areas are being eliminated or reduced, we have managed to continue to fund our universities at current levels of $201 million. In addition to this amount, $500,000 has been set aside to allow for the merger of Université Sainte-Anne and Collège de l'Acadie—a vital initiative that will protect and enhance educational and training opportunities for Nova Scotia's Acadian students.

Mr. Speaker, at the same time as many businesses and industries are either experiencing or predicting a shortage of skilled workers, Nova Scotia is losing too many of its best and brightest to other jurisdictions.

Government has a responsibility to lead the effort to ensure that Nova Scotians are the first in line to fill every new job—whether it's in the oil and gas, tourism, or technology sectors; whether it's in the construction trades or a job on the farm.

Matching educational needs with future job demands

To that end, we will be proceeding with the Nova Scotia Skills Agenda. This will be a joint initiative involving government, business, industry, labour, school boards, the community colleges, and universities. The aim is to better match educational needs with future job demands. The goal is to provide every young Nova Scotian with the knowledge, skills, and training he or she needs to land and keep a job here at home.

Critical to the success of this initiative is a commitment by all of our partners to take a more co-operative approach in responding to existing as well as emerging labour market needs. Critical to the success of this initiative is the need to remove some of the institutional barriers that drive up costs for both students and taxpayers.

We expect all of our education partners to make system-wide changes and to demonstrate to young Nova Scotians that their future is here in Nova Scotia.

Mr. Speaker, despite increasing funding to our universities over the first two years of our mandate, tuition continued to go up. We know that more and more Nova Scotians are becoming increasingly concerned about the cost of a post-secondary education. It's also a concern of this government.

Officials from my department and the Department of Education are presently developing a program to help those Nova Scotia students, most in need, with the high cost of a university or college education. The details of this program will be released over the course of the next 12 months.

Again, Mr. Speaker, the total budget for education is going up, not down: $23 million more will be spent on education this year.

As with health, the increase in education funding won't satisfy every want or every demand. But again, it speaks to our commitment to protect, and where possible enhance, the quality of education we provide our children—particularly our youngest children.

Support for Those Who Need It Most

Mr. Speaker, Nova Scotians rightfully expect their government to assist those among us who are disadvantaged by poverty or disability. They also expect that government will put in place the proper supports to help as many Nova Scotians as possible achieve a greater level of independence.

This government recognizes that if given the choice of a life on welfare or a future with hope, Nova Scotians will choose the latter. That is why we are maintaining and making new investments in programs to support those who need it most.

Mr. Speaker, one of the most positive changes this government has made is to provide an integrated child benefit—a combination of the National and Nova Scotia Child Benefit programs—to all low-income families making $20,921 and less.

3,000 Nova Scotians move from assistance to employment

Mr. Speaker, we have demonstrated our commitment to help children living in poverty. Some 35,000 Nova Scotian families and approximately 60,000 children receive this benefit.

These changes, combined with a stronger economy, helped more than 3,000 Nova Scotians find independence in 2001–02. We expect another 3,000 Nova Scotians will gain employment this year as our economy continues to grow and more social assistance recipients participate in employment support programs.

$3 million more for early childhood development

Mr. Speaker, this government continues its commitment to give our youngest children a good start in life. This year $12 million, an increase of $3 million, will be provided for early childhood development, with another $2.7 million dedicated to maintain support programs for children.

We are also working to ensure that the victims of domestic violence are not further victimized by being forced to leave their own homes. Over $500,000 will be spent by the Department of Justice to put in motion a new approach for helping victims of family violence. Mr. Speaker, this government wants the abuser to leave ... not the victim to flee.

As well, Mr. Speaker, the Department of Community Services will be taking steps to better serve its clients through enhanced technology and more efficient program delivery. This investment will ensure that every client receives the support they are entitled to, no one receives more than they should, and no parent waits to feed or clothe their child.

As in every year this government has been in office, the budget to support the disadvantaged is going up.

$85 Million for Roads

Mr. Speaker, the capital budget for road and highway improvements increased by $23 million over the first two years of our mandate. But as practically every person who drives a car in Nova Scotia will tell you, our roads and highways are still in desperate need of repair.

In fact, it would take more than $3 billion over 10 years to address all of our road and highway deficiencies.

Obviously, we do not have that kind of money. And, Mr. Speaker, we simply can't afford to wait.

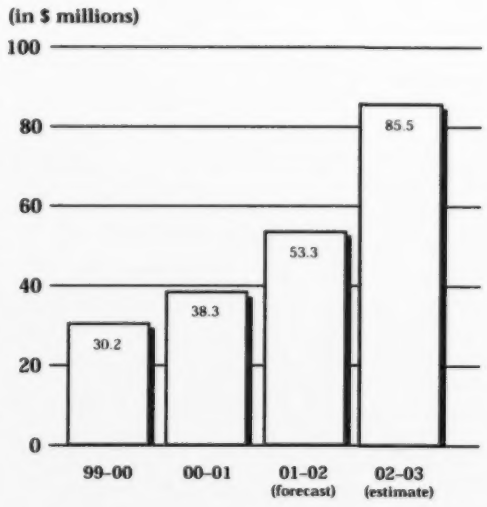
100% of gas tax increase to go toward work on roads

It is for these reasons that I am announcing that, effective midnight tonight, there will be a two-cent increase in motive fuel taxes—every cent of which will go toward our roads, bridges, and ferries.

In fact, every cent and more will go to improving our roads and highways.

The increase in gas taxes will bring in over $23 million. In addition to this, government has allocated over $62 million in capital spending for the Department of Transportation and Public Works, bringing the total amount for capital improvements for our roads, highways, bridges, and ferries to over $85 million—$32 million more than was spent last year.

Capital Spending on Highways* 1999–00 to 2002–03



*Includes spending on roads, bridges, land, and ferries.

This amount won't mean that every road will get paved or every bridge will be fixed—far from it. But at a time of severe financial restraint this investment is a clear indication of this government's efforts to address a pressing need, particularly in rural Nova Scotia.

All told, capital spending to address many of Nova Scotia's urgent priorities will amount to $219 million.

Approved Capital Spending 2002–03
(in $ millions)

Roads, bridges, land, and ferries*	85.5
New schools	76.3
Renovations and alterations to schools	10.0
School buses	4.6
Health information system	6.0
Ambulances	3.4
Courthouses and correctional facilities	9.2
Property registration system	3.2
Provincial resorts	5.0
Buildings and renovations	5.6
Machinery, fleet, and other	10.1
Total Capital	**218.9**

* Includes 100% of expected revenues resulting from 2 cent increase in gas tax

Supporting Municipalities

Mr. Speaker, government recently announced a new plan to support municipalities, based on a fair and long-overdue increase in what Nova Scotia Power Incorporated should be paying in taxes.

The new municipal equalization plan will ensure that no matter where you live in Nova Scotia you will continue to receive vital local services. It will also ensure that struggling communities are given a much-needed lifeline to help them rebuild their economies.

Province assumes all social assistance costs

As well, Mr. Speaker, municipalities benefit from government taking over an additional $6.6 million in social assistance costs, the final step in the province assuming full responsibility for that program.

Despite some budgetary measures such as a reduction in discretionary grants, an additional contribution towards education, and the elimination of restricted licence plates, municipal governments realize a net benefit from the actions of this government.

Increase for Municipalities 2002–03
(in $ millions)

Positive Impacts	
Increased Nova Scotia Power taxes	10.7
Social services taken over by province	6.6
Negative Impacts	
Education funding	(5.1)
Equalization	(3.0)
Restricted license plates	(1.0)
Reductions in discretionary grants	(0.4)
Net Increase to Municipalities	**7.8**

Difficult But Necessary Choices

Mr. Speaker, this government has made the difficult but necessary decisions to ensure we achieved balance.

Let me give you one example. We closed Sysco.

Today, instead of adding to the slag piles and scrap heaps, instead of piling more and more onto the deficit, the Sysco site is being cleaned up and is generating modest revenues for the province.

Mr. Speaker, we will continue to make the difficult but necessary decisions to ensure we remain in balance. While Nova Scotia is benefiting from a growing economy, the demands in health care, education, and social services exceed expected new revenues.

That is why we have taken steps to increase fees and revenues. I have already announced, prior to this budget, measures totalling $22 million. Other measures included in this budget will provide another $51 million to respond to Nova Scotia's priorities.

In addition, contributions from gaming and liquor Crown corporations will increase by $28 million.

Large Corporations Tax extended to March 2004

Recently I announced that the Large Corporations Capital Tax, due to end this year, would not. Today, I am announcing that it will continue until March 31, 2004.

Mr. Speaker, even with these additional revenues we had to find savings elsewhere. We had to make some tough decisions.

In making our decisions this government asked a number of important questions:

- Is it fair?
- Is it reasonable?
- Are we addressing the most urgent priorities of Nova Scotians?
- Is it in keeping with our commitment to smaller, more efficient, and affordable government?
- Can we do things better or more efficiently or in a different way?

In some cases, the reductions in this budget are reflected in a cut to discretionary grants. In some cases, they are reflected in program reductions. In some cases, it is a reduction in the number of funded positions. In some cases, it is the need to find better ways of achieving better results. In other cases, it is simply because we can't afford the existing program at a time when other important priorities need to be addressed.

But in all cases, Mr. Speaker, we kept our focus on what is most important to Nova Scotians.

Kept focus on priorities

We kept our focus on their priorities—with more money for our hospitals, schools, and roads.

We kept our focus on the economic health of Nova Scotia by providing for greater fiscal certainty.

We kept our focus on what we need to do today to ensure that our children grow to be healthy productive adults, with children of their own, who travel on good roads, who go to good schools, and who, when the need arises, get top-notch health care.

Tomorrow, we will need to look beyond our borders and focus on new ways to ensure greater co-operation with the other provinces. We must look for every opportunity we can to reduce costs so that we can deliver what is important to all of us as Canadians.

Nova Scotia's Economy ... Positive Growth

Mr. Speaker, Nova Scotia's economy is doing well—3,800 new jobs were created last year. This year another 3,000 new jobs are expected to be created.

These jobs are being created because the Nova Scotia economy is forecast to grow by 1.9 per cent.

Provincial Forecast Assumptions

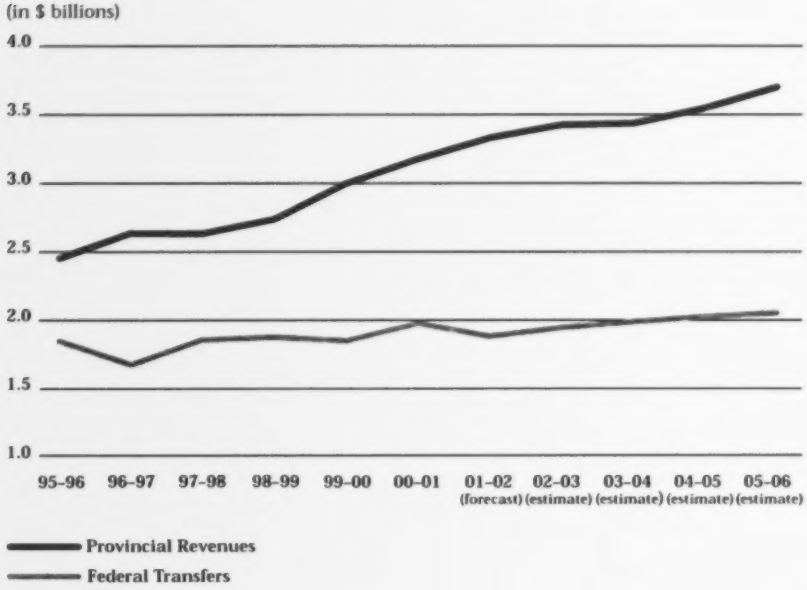
	% change		
	2001	2002	2003
Real Gross Domestic Product, 1997$	1.7	1.9	3.7
Employment	0.9*	0.7	2.1
Personal Income	3.1	2.7	4.1
Consumer Price Index	1.8*	1.5	2.0

Sources: *Statistics Canada (actual 2001);
Nova Scotia Department of Finance

Forecast Date March 6, 2002

Mr. Speaker, continued economic growth means that Nova Scotia is paying more of its own way. Three years ago the split in provincial/federal revenues was about 62/38. In 2002–03, 64 per cent of the province's revenues is coming from provincial sources and only 36 per cent from Ottawa.

Provincial Revenues vs Federal Transfers



While growth this year will be positive, the indicators for 2003 are even better. Economic growth is forecast to rise to 3.7 per cent next year. Nova Scotians will continue to benefit from investments in our offshore. More jobs will be created in our construction, business services, and transportation sectors. And, Mr. Speaker, these jobs are being created where they are needed most. Cape Breton was one of the leaders in employment growth this past year.

Economy expected to grow 3.7% in 2003

Mr. Speaker, while the private sector must drive economic growth, government can take focused actions to establish the climate for growth.

Mr. Speaker, creating employment opportunities is a priority of this government. That is why I am pleased to announce today an extension of the Film Tax Credit to December 31, 2005.

This government also understands it must manage its affairs properly, bringing greater certainty to the public finances.

That is why I am pleased to announce today that this government will soon release a debt and surplus management plan. A plan that should give confidence to Nova Scotians that this government will follow the right path to financial stability and chart the right course for our children.

Debt servicing costs, foreign exposure reduced

That path is already paying dividends. This year our debt-servicing costs will decline by $44 million year over year. This is partially the result of lower interest rates and partially the result of this government's aggressive efforts to limit our exposure from foreign borrowing. Since this government came to office, foreign exchange exposure has dropped from 51 to 29 per cent and will be below 20 per cent by 2004.

Mr. Speaker, let me attempt to summarize this budget. We are benefiting from increased revenues, driven by a strong provincial economy and new fees and recoveries. We will spend millions more on health, education, social services, and other priorities of Nova Scotians. We made the difficult decisions and through prudent management, balanced the budget.

Fiscal Plan Summary

(in $ millions)

	forecast 01-02	estimate 02-03	change
Revenues	5,148	5,307	159
Net Program Expenses	(4,418)	(4,463)	(45)
Net Debt-Servicing Costs	(862)	(865)	(3)
Net Income Government Business Enterprises	26	22	(4)
(Deficit)/Surplus	**(106)**	**1**	**107**

Choices and Priorities

Mr. Speaker, it comes down to choices and priorities.

This government believes that our children's future is a priority—that is why we made the choice to balance the budget and still invest more in education.

This government believes that reliable, predictable, and sustainable health care for all Nova Scotians is a priority—that is why we made the choice to balance the budget and still spend more on our hospitals, nurses, and doctors.

We believe that growing our economy is a priority—that is why we made the choice to balance the budget, help more families achieve independence, and invest more money in roads.

Mr. Speaker, the budget we are sharing with Nova Scotians today begins to put things right by our children. It ensures that more of Nova Scotians' hard-earned tax dollars will be spent on them instead of wasted on the banks. It says to Nova Scotians, just as you work hard to live within your means, so too will your government.

Mr. Speaker, this budget is all about our children, common sense, and Nova Scotia values.

Thank you. Merci.

Total Ordinary Revenues 2002–03

Key Assumptions—April 4, 2002

Nova Scotia
Budget
2002

NOVA SCOTIA
Auditor General

1888 Brunswick Street
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B3J 3J8

REPORT OF THE AUDITOR GENERAL TO THE HOUSE OF ASSEMBLY ON THE ESTIMATES OF REVENUE FOR THE FISCAL YEAR ENDING MARCH 31, 2003 USED IN THE PREPARATION OF THE APRIL 4, 2002 BUDGET ADDRESS

I am required by Section 9B of the Auditor General Act to provide an opinion on the reasonableness of the estimates of revenue used in the preparation of the annual budget address of the Minister of Finance to the House of Assembly.

The estimates of revenue for the fiscal year ending March 31, 2003 (the 2002-2003 revenue estimates) are the responsibility of the Department of Finance and have been prepared by departmental management using assumptions with an effective date of March 6, 2002. I have examined the support provided by the department for the assumptions, and the preparation and presentation of the 2002-2003 revenue estimates of $5,306,658,000 for total ordinary revenue. My opinion does not cover the 2001-2002 forecast, the 2002-2003 expense estimates, sinking fund earnings, nor the recoveries, user fees or other income netted against expenses for appropriation purposes. My examination was made in accordance with the applicable Auditing Guideline issued by the Canadian Institute of Chartered Accountants. I have no responsibility to update this report for events and circumstances occurring after the date of my report.

Commencing with the fiscal year ending March 31, 1999, the Government implemented consolidated financial statement reporting in accordance with Canadian generally accepted accounting principles for the public sector. Consistent with prior years, the 2002-2003 revenue estimates have been presented including the total ordinary revenue of the Consolidated Fund established under the provisions of the Provincial Finance Act. As a result, sinking fund earnings and revenue of certain government organizations reported as revenue in the Province's consolidated financial statements are excluded from the 2002-2003 revenue estimate for total ordinary revenue, but included elsewhere in the 2002-2003 estimates, and have not been included in my examination.

During 2001-2002, the Department of Finance used a new model to support the estimating of revenue from personal income taxes. The change in model was required due to the move in 2000 from calculating provincial income taxes based on basic federal taxes to a tax on net income. The new model had not been fully implemented at the time of our review. The effect on the 2002-2003 revenue estimate of any further adjustments required to the model can not be determined at this time.

Except for the effect of adjustments, if any, which might have been necessary as a result of the matters discussed in the preceding paragraphs, in my opinion,

- as at the date of this report, the assumptions used by the Department are suitably supported and consistent with the plans of the Government, as described to us by departmental management, and provide a reasonable basis for the 2002-2003 revenue estimates; and
- the 2002-2003 revenue estimates as presented reflect fairly such assumptions.

Since the 2002-2003 revenue estimates are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, although I consider, except for the matters discussed above, the 2002-2003 revenue estimates to be reasonable, I express no opinion as to whether they will be achieved.

E. R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
March 28, 2002

Key Assumptions - March 6, 2002

Economic Performance and Outlook

National Economic Assumptions

Canada's economy experienced a marked slowdown in 2001, achieving a real GDP growth rate of 1.5 per cent, following a period of strong economic expansion in 1999 and 2000 when GDP grew at a rate of 5.1 per cent and 4.4 per cent respectively. The slowdown in growth in 2001 occurred in both the domestic and export sectors. Labour income grew at a rate of 4.2 per cent as both employment and labour force growth retreated from the stronger growth of the previous two years. Another factor accounting for lower labour income growth in 2001 was the effect of the federal pay equity settlements in 2000 filtering through the economy, which pushed up labour income that year. Personal income dropped to a less robust growth rate of 3.8 per cent in 2001.

The labour market in 2001 produced 167,000 jobs, which were considerably fewer than the average of 361,000 created in the economy over the previous four years. This caused the unemployment rate to rise to 7.2 per cent in 2001. The rise in the unemployment rate along with weakened personal income growth affected consumer confidence. This translated into diminished growth of consumer spending on all goods and services, at 4.5 per cent in 2001 compared to 5.5 per cent in 2000. Retail sales increased 4.6 per cent, energized by stronger growth in department store sales and late-year incentives by auto dealers. Persisting strength in the household sector, supported by lower interest rates, helped lift housing starts by 8.6 per cent and overall spending on housing by 7.2 per cent.

The business sector contrasted sharply with the performance of the household sector in 2001. The corporate sector led the Canadian economy into the economic slowdown in 2001. After large increases in corporate profits the last two years of over 21 per cent, corporate profits before tax declined 6.0 per cent in 2001. The decline in corporate profits adversely affected growth in business investment. The year was also accompanied by a sizable draw-down in business inventories, especially in the fourth quarter.

Canada is a trading country relying heavily on exports for economic performance. The global economy weakened in 2001, led by Canada's main trading partner, the United States, which entered a recessionary period in March of the year. Canada's exports of goods and services were down 2.1 per cent, led by declines in motor vehicles and parts, high technology and telecommunications products, and pulp and paper.

Canada escaped an official recession, defined as two consecutive quarters of negative growth, in 2001. However, the events of September 11 shook the confidence of both the consumer and business, which further weakened an already slowing economy. The slowing pace of economic activity in the United States accelerated an economic slowdown in Canada. US GDP growth posted a small gain of 0.3 per cent in the second quarter of 2001, followed by a decline of 1.3 per cent in the third quarter. Fourth-quarter growth came in at 1.4 per cent. Indications are that the US recession has been short and shallow, and that recovery is now under way in early 2002. Forces shaping this outlook are monetary policy, which was aggressive throughout 2001 with key interest rates being substantially lowered by the Federal Reserve Board to levels not seen in 40 years, combined with a stimulative US government fiscal package. In addition, the large buildup in inventories in the US economy, which triggered the start of the recession in 2001, has been significantly reduced such that production should pick up along with restocking of inventories through the year. Business fixed-investment spending will be slower to recover, however, with renewed momentum evident in 2003.

The outlook for Canada is similar in terms of direction to the US economy. Personal spending has held up reasonably well coming through a generally weak economic environment in 2001. Canadian monetary policy initiatives have been equally as expansionary as in the United States. Also, federal government fiscal initiatives have been mildly expansionary. The federal tax cuts introduced in 2001 have been front-end loaded, and additional impetus in 2002 will be largely countered by the combined net increase in Canada Pension Plan and Employment Insurance premiums. The 2001 federal budget provided a sustained annual net increase of approximately $2.3 billion for security and other spending over the next few years. By contrast, however, total provincial government spending plans are being restrained, such that on balance there will not be substantial new fiscal stimulus in Canada.

In 2002, the household and government sectors set the pace for Canada's economic performance. Weakness in business investment continues before rebounding in 2003. Export performance remains sluggish, but picks up through the year on the strength of US economic recovery. Recovery in the Canadian economy will be gradual, as in the United States. Canada's GDP is forecast to grow 2.6 per cent for 2002, accelerating to 3.8 per cent in 2003. In this environment, job creation will be slow to materialize, and inflation will remain subdued. The forecast calls for employment growth of 1.0 per cent in 2002 and 2.2 per cent in 2003. The unemployment rate rises to 7.7 per cent in 2002 and falls back to 7.2 per cent in 2003. The Consumer Price Index is expected to grow at an annual rate of 1.4 per cent in 2002, moving nearer to the Bank of Canada target rate in 2003.

Recovery is being propelled by the considerable monetary stimulus applied by central banks and by expansionary national government fiscal policy, particularly in the United States. The Canadian economy is exhibiting clear signs of rebuilding strength at the beginning in 2002. If early momentum is sustained, Canada's performance in 2002 could exceed the forecast. There are risks, however, that could imperil the recovery by undermining consumer spending and export recovery.

The key issue for economic growth in Canada is the performance of the US economy. Economic recovery in the United States is anticipated to proceed at a gradual pace. There is, however, perceived risk that renewed economic weakness could set in through mid-year before a sustained recovery takes hold. Key to the near-term performance is household behaviour. In the forecast, consumer spending is expected to remain firm, although growth in spending in 2002 will not be as pronounced as in 2001 and in 2003. The risk of softer household spending has been pointed out by economic forecasters on the view that the consumer may become tapped out, that interest-sensitive demand has little further momentum to support stronger growth in household spending. This concern relates particularly to auto sales, which may have shifted future growth to late 2001 with the zero-interest financing incentives. It appears, however, that the first quarter of 2002 will show robust pickup in Canada's GDP growth. Consumer spending and housing starts have surprised on the upside, and, in company with other economic information, forecasters are anticipating that annualized GDP growth in the first quarter could be upwards of 4 per cent.

The forecast assumes that interest rates have reached their lowest point, and that gradual increases occur after mid-2002 as the economic recovery takes root. Earlier timing and sharper increases would, however, put interest-sensitive spending at risk, especially in 2003. The Canadian dollar is assumed to remain weak over the short term. An important consideration is how the Bank of Canada would respond to any dramatic movement in the exchange rate.

Gasoline and fuel prices dropped significantly in 2001. This effectively delivered a one-time increase in disposable incomes, which helped sustain consumer spending. An unexpected return to previous-peak price levels would have the opposite effect and rein in consumer spending and economic growth.

The key national economic forecast assumptions incorporated into the budget are displayed in the schedule on the next page. The assumptions are based on data and information available as of March 6, 2002.

National Forecast Assumptions

	2001	2002	2003
Real Gross Domestic Product, 1997$ (% change)	1.5	2.6	3.8
Employment (% change)	1.1	1.0	2.2
Unemployment Rate (%)	7.2	7.7	7.2
Personal Income (% change)	3.8	3.3	4.7
Consumer Price Index (% change)	2.6	1.4	2.2
Retail Sales (% change)	4.6	3.5	4.5
Corporate Profits before Taxes (% change)	-6.0	-6.4	13.0
Exports of Goods and Services (% change)	-2.1	-4.5	6.5

Sources: Statistics Canada for 2001; Nova Scotia Department of Finance projections for 2002 and 2003.

Provincial Economic Assumptions

The Nova Scotia economy weakened in 2001 in conjunction with slower economic growth in North America, which was exacerbated by the wake of the events of September 11. Nova Scotia achieved a 1.7 per cent growth rate in real GDP in 2001, coming off a 2.3 per cent growth rate in 2000. Employment increased 0.9 per cent, and the unemployment rate increased to 9.7 per cent.

Nova Scotia posted 3,800 net job gains for the year. Among industry sectors, employment growth occurred chiefly in construction, wholesale and retail trade, business services, and transportation. Primary resources industries and finance, insurance, and real estate experienced job losses, while employment in manufacturing and public services sectors remained virtually unchanged. In geographical terms, job growth in 2001 occurred in Cape Breton, as employment gains in call centres helped offset job losses arising from the cessation of steel making by Sydney Steel Corporation (Sysco) and the termination of coal mining operations by the Cape Breton Development Corporation (Devco). Halifax Regional Municipality showed no net change in job creation: higher employment in construction, trade, and professional business services was equalized by net job losses in public services and other services sectors. The Annapolis Valley registered job gains, while employment was lower in the northern and southern regions of the province.

Exports continued to be a key contributor to the province's GDP growth in 2001, in particular, exports of natural gas. By the end of 2001, the Sable Offshore Energy Project (SOEP) was approaching planned production capacity. For the year, the commercial production of natural gas was up approximately 50 per cent over 2000, which was the initial year of production; but gas prices weakened through the year. The value of exports of goods and services grew by 7.9 per cent. Nova Scotia's merchandise exports to international markets increased 10.7 per cent, led by a 52.8 per cent increase in natural gas exports. Export sales growth was also realized in fish, pulp and paper, and refined petroleum products, while exports of other major projects, including tires, lumber, and railway cars were lower. Overall, however, merchandise exports to international markets, excluding natural gas, were up 3.3 per cent. Services exports to domestic and external markets slowed in 2001 but still turned in positive growth for the year.

Export sector growth supported gains in corporate profits. Corporate profits before tax were up 7.9 per cent in 2001, chiefly reflecting the increased production and flow of natural gas and gas liquids to export markets. In the economic forecast, corporate profits before tax relate to economic activity in the provincial economy and are not uniquely linked to the Corporate Income Tax (CIT) estimates and forecast. CIT is based primarily on federally forecasted corporate taxable income and is affected by other variables, such as business take-up of provincial tax credit programs.

The household sector also provided an important source of strength to the province's economic performance in 2001. Personal expenditures on goods and services increased by 3.8 per cent, with retail sales increasing 3.1 per cent. Spending on housing construction was lower, however, as housing-unit starts declined 7.7 per cent. The tempo of consumer spending was sustained by growth in personal income of 3.1 per cent. Labour income, the largest component of personal income, increased 3.9 per cent.

Investment by business in fixed assets continued to decline in 2001. Capital spending on non-residential structures and on machinery and equipment dropped 15.7 per cent, following the 22.0 per cent decline in 2000. This trend in business fixed investment reflects the earlier completion of SOEP Tier I and of large expansion and modernization investment in the manufacturing sector.

In the economic outlook for the province in 2002, the offshore energy development and production continues to be the key driver. The impact of SOEP production on GDP growth occurs primarily through exports and corporate profits before tax. Natural gas output is forecast to average 5.9 per cent higher and natural gas liquids 17.0 per cent higher in 2002, as production reaches planned capacity. However, the price of natural gas is sharply lower in 2002, which pulls down the value of exports and corporate profits before tax. The forecast also incorporates capital expenditures associated with the development of the Alma field of SOEP Tier II and the Deep Panuke gas development. Offshore gas exploration accelerates. Spending on offshore energy development sets the pace for business fixed-capital investment. Excluding offshore energy, business capital investment continues to be weak, but investment intentions point to recovery. In total, business capital investment in Nova Scotia is expected to be up 5.5 per cent in 2002, following two consecutive years of double-digit declines. Investment intentions also indicate that public-sector capital spending provides added impetus to growth in 2002.

Nova Scotia is an open economy depending on trade for its economic fortunes. Close to 50 per cent of GDP is directly attributed to the export of goods and services. To a large degree, the economic outlook for Nova Scotia depends on conditions prevailing in the economies of its principal trading partners, the United States and other Canadian provinces. Consequently, the economic slowdown in the United States and Canada in 2001 moderates Nova Scotia's GDP growth over the short term. In Nova Scotia, the impact of the events of September 11 on the economies of North America will be felt predominantly in 2002, despite indications that economic recovery in the United States and Canada appears to be in progress.

Total exports of goods and services are expected to decline 4.6 per cent in 2002. Excluding shipments of natural gas, Nova Scotia's international merchandise exports are expected to show no growth in 2002, before turning up in 2003 on the strength of US economic recovery. Corporate profits will also weaken in 2002 with a decline of 21.9 per cent but will rebound in 2003. The drop in corporate profits in 2002 is attributable chiefly to lower prices of natural gas. Commensurately, recovery in natural gas prices helps lift profits in the following year.

The household sector is expected to support growth in the economy in 2002, although at a less robust pace of growth in personal spending than in 2001. Employment growth remains sluggish, forecast at 0.7 per cent. With the labour force anticipated to grow at a faster pace than employment growth, the unemployment rate increases to 10.1 per cent. Slower employment growth leads to lower personal income growth of 2.7 per cent. Growth in personal expenditure on goods and services also moves lower than in 2001, to an expected increase of 3.3 per cent. Retail sales remain firm, although growth is forecast to pull back to 2.9 per cent in 2002 before gaining renewed strength in 2003. Housing starts are projected to decline 2.2 per cent, returning to 2001 levels in 2003.

Nova Scotia's real GDP is forecast to grow 1.9 per cent in 2002, followed by 3.7 per cent in 2003. Improvement in the pace of economic activity in Nova Scotia depends on the timing and strength of economic recovery in the United States and Canada. There is, however, near-unanimous agreement among economic forecasters that economic performance will be strong in North America in 2003.

Risks to the outlook identified with respect to the Canadian economy also apply to Nova Scotia. Similarly, the perceived risks attached to household spending in Canada are also being muted in Nova Scotia. For instance, urban housing starts are higher in the first two months than last year.

The assumptions concerning the pace of offshore gas exploration in the short term could be tempered by the reassessment of drilling programs from recent exploration results and by technical difficulties that have been encountered by drill-vessel activity. By contrast, should energy prices move higher than assumed, SOEP production revenues would rise in step. This would be positive for corporate profits and the value of exports, and potentially salutary for offshore exploration activity over the short term.

The economic outlook for both Nova Scotia and for Canada is customarily developed by the Department of Finance with reference to the published views of private-sector forecasters. In this instance, the economic assumptions were prepared without this frame of reference. Key economic data that Statistics Canada released at the end of February 2002, combined with emerging evidence that economic recovery is under way in North America, indicate that forecasters will be upgrading their economic forecasts for Canada and Nova Scotia. Among the private sector forecasters surveyed by the Department of Finance, only one had published an updated provincial outlook by the first week of March, and they had revised their GDP to 1.8 per cent for 2002.

The key provincial economic forecast assumptions incorporated into the budget are displayed in the schedule below. The assumptions are based on data and information available as of March 6, 2002.

Provincial Forecast Assumptions

	2001	2002	2003
Real Gross Domestic Product (billion 1997$)	23.2	23.6	24.5
Real Gross Domestic Product, 1997$ (% change)	1.7	1.9	3.7
Employment (% change)	0.9*	0.7	2.1
Unemployment Rate (%)	9.7*	10.1	9.2
Personal Income (% change)	3.1	2.7	4.1
Consumer Price Index (% change)	1.8*	1.5	2.0
Retail Sales (% change)	3.1*	2.9	4.4
Corporate Profits before Taxes (% change)	7.9	-21.9	25.5
Exports of Goods and Services (% change)	7.9	-4.6	7.3

Sources: Statistics Canada, actual (*), Nova Scotia Department of Finance Projections

Revenue Outlook

In 2002-03 total ordinary revenues are estimated to be $5,306.7 million, an increase of 3.1 per cent over the 2001-02 forecast. Own-source revenues are expected to increase by $172.5 million over the 2001-02 forecast to $3.393 billion in 2002-03. Federal transfers will increase by $27.1 million from 2001-02 forecast levels.

Revenue Sources

($ Thousands)	Actual 2000-01	Forecast 2001-02	Estimate 2002-03	Change For. to Est.
Provincial Sources				
Personal Income Taxes	1,228,672	1,274,481	1,315,144	40,663
Corporate Income Taxes	169,232	188,231	183,632	(4,599)
Sales Tax (HST)	804,280	852,797	888,917	36,120
Tobacco Tax	75,577	105,855	138,508	32,653
Gasoline and Diesel Tax	201,669	216,647	239,350	22,703
Liquor Corporation Profits	137,183	145,249	160,208	14,959
Gaming Corporation Profits	171,256	172,900	186,000	13,100
Interest Revenues	39,692	35,187	35,037	(150)
Registry of Motor Vehicles	61,979	64,144	75,162	11,018
Other Provincial Sources	177,536	164,783	170,834	6,051
Total Provincial	**3,067,076**	**3,220,274**	**3,392,792**	**172,518**
Federal Sources				
Equalization	1,395,500	1,326,350	1,320,177	(6,173)
CHST	450,579	558,060	591,359	33,299
CHST Supplement	75,475			
Other Federal Sources	2,330	2,330	2,330	0
Total Federal Sources	**1,923,884**	**1,886,740**	**1,913,866**	**27,126**
Prior Years' Adjustments				
Provincial Sources	78,156	77,774		77,774
Federal Sources	21,758	(37,225)		(37,225)
Total Ordinary Revenue	**5,090,874**	**5,147,563**	**5,306,658**	**159,095**

Income Taxes [2002]

PERSONAL INCOME TAX (PIT)

The 2002–03 estimate for personal income tax on a fiscal-year basis rises 3.2 per cent over the 2001–02 fiscal year forecast, in line with the 3.6 per cent growth in Nova Scotia's share of national taxable income. The estimate is based on national level taxable income supplied by the federal government as of February 15, 2002.

In the 2000 tax year, Nova Scotia moved to a tax-on-income system of assessing personal income tax. This system shifted the tax calculation from a percentage of federal tax (tax on tax) to a percentage of taxable income (tax on income). The rates and brackets are equivalent to the tax-on-tax rates and federal brackets in effect for the 1999 tax year. Nova Scotia uses federally determined taxable income as its base and has maintained the non-refundable tax credits in effect for the 2000 tax year.

As a result of this change, the province is in the process of developing a forecasting model that incorporates the new system. While a model is currently in place, revisions will be an ongoing process as new information, revised data, and the passage of time allow for trends to be incorporated into the modeling process. As the model is refined, adjustments may be necessary from time to time that result in changes to the estimate, either positive or negative. This is a natural result of the evolution of a forecasting model due to a significant change in our taxation system.

CORPORATE INCOME TAX (CIT)

Corporate income tax, on a fiscal-year basis, is expected to decline by 2.4 per cent or $4.6 million over 2001–02. As mentioned in the economic section of this document, corporate profits before tax relate to economic activity in the provincial economy and are not uniquely linked to the CIT estimates and forecast. CIT is based primarily on federally forecasted corporate taxable income, as of February 15, 2002, and is affected by other variables, such as business take-up of provincial tax credit programs. While provincial level corporate profits are expected to decline by 21.9 per cent, estimated provincial corporate taxable income is expected to decline by only 4.1 per cent. Expected credit take-up in 2002 is only slightly less than in 2001, with credits falling to $46.0 million from $48.3 million.

Consumption Taxes

HARMONIZED SALES TAX (HST)

Gross HST is estimated to total $959.6 million in 2002–03, a 3.9 per cent increase over 2001–02. Sales tax rebates for public-sector bodies, new housing, printed books, volunteer fire departments, persons with disabilities, and segregated funds are projected to total $70.7 million, resulting in net HST of $888.9 million in 2002–03, a 4.2 per cent increase over the previous fiscal year. The growth in gross HST revenues between 2001–02 and 2002–03 is due to continued growth in labour income and personal consumer spending.

HST is determined by Nova Scotia's share of the Declared Revenue Pool (DRP), a pool of revenues shared by each participating province (Nova Scotia, New Brunswick, and Newfoundland) and the federal government. The shares are determined by a Revenue Allocation Formula, which uses a combination of economic and administrative data to derive the shares. Revenues are collected by the Canada Customs and Revenue Agency, and payments are made via the Revenue Allocation Formula. The formula is constantly under review and revision via a joint committee of all participating provinces and the federal government. As a result, changes are made from time to time that could change both the estimate and the actual revenues received. In addition, the province is subject to prior years' adjustments, both positive and negative, once final payments are determined.

The estimates produced by the Department of Finance are driven by the province's consumer spending assumptions, new housing construction, and other economic indicators. These estimates should reduce, as much as possible, any prior years' adjustment.

TOBACCO TAX

Revenues from this source are estimated to total $138.4 million in 2002–03, a 30.8 per cent increase over the forecast for 2001–02. The increase is the result of measures taken in this budget to increase cigarette taxes by $5.00 per carton, tobacco sticks by $7.86 per carton, and fine-cut tobacco by $7.06 per 200 grams. The Government of Nova Scotia, in conjunction with the federal and other provincial governments, will continue to explore initiatives such as improved compliance to ensure the integrity of this revenue source. The estimate includes anticipated changes to consumption patterns as a result of product price increases due to measures taken in this budget.

MOTIVE FUEL TAXES

Motive fuel tax revenues are projected to total $239.3 million in 2002–03, a 10.5 per cent increase over the forecast for 2001–02. This increase reflects the government's decision to increase the fuel tax on gasoline by two cents per litre, to 15.5 cents per litre. The estimate includes anticipated changes to consumption patterns as a result of budget measures and market prices. The Government of Nova Scotia has committed itself to increasing the allocation of motive fuel tax revenues towards highway and bridge construction and maintenance in an effort to improve public safety and transportation.

Profits of Crown Corporations

NOVA SCOTIA LIQUOR CORPORATION (NSLC)

Liquor revenues are estimated to be $160.2 million in 2002–03, a 10.3 per cent increase over the 2001–02 forecast. This increase is a result of price increases, volume growth in the beer sector due to marketing efforts, longer-than-expected warm summer weather in 2001, and economic conditions. Seasonality does play a major role in volumes and revenues, as it is difficult to predict with any degree of accuracy. Shifts in product mix will also affect gross profit. Alternative retailing such as agency stores and private specialty shops should produce incremental revenue for the NSLC.

NOVA SCOTIA GAMING CORPORATION

The Nova Scotia Gaming Corporation's (NSGC) revenues are expected to increase to $190.3 million in 2002–03. However, the Department of Finance records $186.0 million, which is net of 50 per cent of Sydney casino cash available for distribution of $6.6 million. The estimate represents an 8.1 per cent increase over the projected 2001–02 results. NSGC's net income is expected to increase to $170.3 million in 2002–03, which is an increase of 8.6 per cent.

There is a net loss of $1.4 million budgeted for the Halifax casino due primarily to the interest and amortization expenses of the new Halifax facility. Net income for the Sydney casino is budgeted at $8.6 million.

It is estimated that NSGC will continue to benefit by approximately $4.2 million in 2002-03 as a result of the revised profit allocation formula agreed to by the shareholders of Atlantic Lottery Corporation in 2000.

A new asset management system for Video Lottery Terminals (VLTs) will be implemented in 2002-03, resulting in additional incremental revenues.

Federal Transfers

EQUALIZATION

Equalization revenues are estimated to decrease by $6.2 million over forecast 2001-02 to $1.32 billion. Equalization reflects revised tax base and revenue information as of March 6, 2002. The estimate uses Nova Scotia's economic assumptions.

Nova Scotia's equalization estimate is different than the federal estimate for 2002-03. The federal government must rely on actual data supplied from Statistics Canada and the provinces; as such it is not a forward-looking estimate. Nova Scotia forecasts forward, using the most current economic and tax information available at the time of budget, as the province is attempting to forecast the final entitlements Nova Scotia will receive.

For 2001-02 and subsequent years, the province has elected to have offshore revenues included in the equalization formula rather than the Offshore Accord Offset mechanism.

THE CANADA HEALTH AND SOCIAL TRANSFER (CHST)

In 2002–03, the CHST cash entitlement for Nova Scotia is estimated to be $591.4 million, $33.3 million higher than the 2001–02 forecast. The total provincial entitlement comprises the provincial allocation of a fixed national entitlement. The 2002–03 national CHST amount that is available in cash and tax points is forecast to be $34.7 billion. The cash estimate reflects internal assumptions on the levels of personal and corporate income tax. Starting in 2001–02, the cash portion of the CHST is based totally on an equal per capita formula.

Other Revenue

Other provincial own-source revenues include existing and a number of new revenues/fees as released March 26, 2002 in a fees and recoveries schedule.

Sensitivity

Revenue estimates are based on a number of economic, financial, and statistical assumptions. As these variables change throughout the year and as more information becomes available, they have an impact, either negatively or positively, on the revenue forecasts. It is important to note that these variables can move quite independently from each other and often have offsetting effects. The following table lists the major revenue sources of the province and indicates some of the key variables that affect that source's forecast throughout the year.

Revenue Source	Key Variables
Personal Income Taxes	- personal income levels by type - national levels of taxable income - Nova Scotia share of national levels of taxable income
Corporate Income Taxes	- corporate taxable income levels (national) - Nova Scotia share of national levels - tax credit usage
HST	- personal consumer expenditure levels - spending by exempt industries - rebate levels - housing investment
Tobacco, Gasoline, and Diesel Taxes	- personal consumer expenditure levels - tobacco and fuel consumption patterns - tobacco and fuel prices
Liquor Corporation Profits	- personal consumer expenditure levels - consumption patterns
Gaming Corporation Profits	- personal consumer expenditure levels - gaming patterns
Equalization	- changes in data as it relates to 33 different tax bases - changes in population - economic activity in NS vs the standard provinces
CHST	- changes in personal and corporate income taxes - changes in population - changes in tax point values

Additional Information

In addition to the key economic and fiscal assumptions contained in the 2002-03 revenue estimates, the following information should also be taken into account when interpreting the revenue estimates.

The revenue estimates for 2002-03 are considered to have been prepared on a basis consistent with accounting policies currently used by the province to record and/or recognize revenue for purposes of its consolidated fund. As a result, revenue for certain government service organizations that are consolidated for financial statement purposes are not included in the province's revenue estimates. As an example, the municipal share of education funding is not included as a revenue source in the province's revenue estimates.

The Department of Finance and other departments or agencies of the province have prepared their specific revenue estimates for 2002-03 using a combination of current internal and external models and other information available. Every effort has been taken to ensure the integrity of the results of the models and other information. As actual or more current information becomes available, adjustments may be necessary to the projection of revenues.

The revenue forecast to be received through federal transfer payment programs pursuant to the Federal-Provincial Fiscal Arrangements Act incorporates official information released by the federal government as of March 6, 2002. Prior years' adjustments (PYAs) are normally made to federal transfers and to income tax revenues. All PYAs known to date have been included in the forecast for 2001-02.

Recoveries of expenditures under various federal-provincial agreements or from other departments or entities, user fees, and income on sinking fund investments have been estimated and are netted against departmental expenditures for purposes of approval of appropriations for 2002-03.

Any and all impacts or implications of the government's actions or plans to reduce or further control public-sector expenditures have been fully considered and appropriately reflected in the specific economic and revenue estimates.

BUDGETARY SUMMARY

($ thousands)

Schedule 1

ESTIMATE 2000-2001	ACTUAL 2000-2001	ESTIMATE 2001-2002	FORECAST 2001-2002		ESTIMATE 2002-2003
				Consolidated Fund	
4,794,941	**5,090,874**	**5,134,771**	**5,147,563**	**Ordinary Revenue**	**5,306,658**
				Net Expenses	
4,146,012	4,250,642	4,373,369	4,478,377	Net Program Expenses	4,512,724
---	(76,175)	(48,750)	(60,000)	Pension Valuation Adjustment	(50,000)
899,122	872,818	908,857	862,353	Net Debt Servicing Costs	865,134
5,045,134	**5,047,285**	**5,233,476**	**5,280,730**		**5,327,858**
(250,193)	**43,589**	**(98,705)**	**(133,167)**		**(21,200)**
				Consolidation and Accounting Adjustments for Government Service Organizations	
---	1,471,637	---	---	Consolidated Fund Consolidation Adjustments	---
---	(1,065,000)	---	---	Health Authorities Operations	---
---	(692,252)	---	---	School Boards Operations	---
---	(36,569)	---	---	Other Organizations	---
---	**(322,184)**	---	---		---
				Net Income (Losses) for Government Business Enterprises	
(25,900)	(50,885)	---	20,000	Nova Scotia Resources Limited	---
8,000	296,993	8,000	6,838	Other Enterprises	22,500
(17,900)	**246,108**	**8,000**	**26,838**		**22,500**
(268,093)	**(32,487)**	**(90,705)**	**(106,329)**	**Provincial Surplus (Deficit) before Unusual Item**	**1,300**
				Unusual Item	
---	179,825	---	---	Nova Scotia Resources Limited	---
---	**179,825**	---	---		---
(268,093)	**147,338**	**(90,705)**	**(106,329)**	**Provincial Surplus (Deficit)**	**1,300**

ORDINARY REVENUE - SUMMARY

By Revenue Source

($ thousands)

Schedule 2

ESTIMATE *2000-2001*	***ACTUAL*** *2000-2001*	***ESTIMATE*** *2001-2002*	***FORECAST*** *2001-2002*		***ESTIMATE*** *2002-2003*
				Provincial Sources	
1,144,925	1,228,672	1,250,795	1,274,481	Personal Income Tax	1,315,144
161,653	169,232	200,864	188,231	Corporate Income Tax	183,632
786,309	804,280	845,724	852,797	Harmonized Sales Tax	888,917
80,100	75,577	83,200	105,855	Tobacco Tax	138,508
232,335	201,669	215,500	216,647	Motive Fuel Taxes	239,350
175,119	171,256	170,800	172,900	Gaming Corporation Profits	186,000
141,000	137,183	139,800	145,249	Liquor Commission Profits	160,208
35,507	39,692	34,587	35,187	Interest Revenues	35,037
61,440	61,979	62,749	64,144	Registry of Motor Vehicles	75,162
6,000	9,269	14,000	10,000	Royalties - Petroleum	10,000
160,165	168,267	160,181	154,783	Other Provincial Sources	160,834
2,984,553	**3,067,076**	**3,178,200**	**3,220,274**		**3,392,792**
				Federal Sources	
1,279,630	1,395,500	1,394,000	1,326,350	Equalization	1,320,177
522,928	526,054	560,241	558,060	Canada Health and Social Transfer	591,359
7,830	2,330	2,330	2,330	Other Federal Sources	2,330
1,810,388	**1,923,884**	**1,956,571**	**1,886,740**		**1,913,866**
				Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	
---	78,156	---	77,774	Provincial Sources	---
---	21,758	---	(37,225)	Federal Sources	---
---	**99,914**	**---**	**40,549**		**---**
4,794,941	**5,090,874**	**5,134,771**	**5,147,563**		**5,306,658**

NET PROGRAM EXPENSES - SUMMARY

Schedule 3

($ thousands)

ESTIMATE 2000-2001	ACTUAL 2000-2001	ESTIMATE 2001-2002	FORECAST 2001-2002		ESTIMATE 2002-2003
---	---	40,885	44,073	Agriculture and Fisheries	39,273
33,537	34,086	---	---	Agriculture and Marketing	---
31,201	31,471	---	---	Business and Consumer Services	---
575,989	583,856	626,508	643,048	Community Services	648,995
49,033	63,981	34,708	48,030	Economic Development	30,785
858,832	872,699	888,437	905,580	Education	928,733
201,232	203,489	201,232	201,732	Assistance to Universities	201,732
13,132	12,380	---	---	Environment	---
---	---	27,072	25,749	Environment and Labour	26,743
9,298	8,704	12,867	13,100	Finance	13,329
5,716	5,706	---	---	Fisheries and Aquaculture	---
1,686,140	1,747,388	1,819,031	1,846,599	Health	1,980,235
88,663	88,317	---	---	Housing and Municipal Affairs	---
3,986	3,458	---	---	Human Resources	---
82,293	82,273	88,883	88,438	Justice	91,753
8,689	7,306	---	---	Labour	---
52,090	50,881	53,945	55,374	Natural Resources	57,028
76,244	93,067	104,236	101,310	Public Service	107,448
---	---	100,237	100,209	Service Nova Scotia and Municipal Relations	92,298
38,388	38,384	39,457	40,237	Tourism and Culture	38,847
243,514	247,572	233,469	232,084	Transportation and Public Works	239,411
88,035	75,303	102,402	132,814	Restructuring Costs	16,114
---	321	---	---	Loss on the Sale of Crown Assets	---
4,146,012	**4,250,642**	**4,373,369**	**4,478,377**		**4,512,724**

NET DEBT SERVICING COSTS - SUMMARY

Schedule 4

($ thousands)

ESTIMATE 2000-2001	*ACTUAL 2000-2001*	*ESTIMATE 2001-2002*	*FORECAST 2001-2002*		*ESTIMATE 2002-2003*
1,049,485	1,020,617	1,043,399	1,011,733	Debt Servicing Costs	1,009,881
(150,363)	(147,799)	(134,542)	(149,380)	Less: Sinking Fund Earnings	(144,747)
899,122	**872,818**	**908,857**	**862,353**		**865,134**

Note: For further details on the underlying assumptions that support the Debt Servicing Costs projections, see Schedule 14, Page B31 and Schedule 15, Page B32.

STATUTORY CAPITAL ITEMS - SUMMARY

($ thousands)

Schedule 5

ACTUAL 2000-2001	ESTIMATE 2001-2002	FORECAST 2001-2002		ESTIMATE 2002-2003
			CAPITAL ADVANCES AND INVESTMENTS The following is given for information as to the proposed program.	
			Additional Advances and Investments (A)	
18,501	20,000	20,000	Fisheries Development Fund	25,000
8,707	10,000	2,600	Industrial Development Act	10,000
23,488	46,000	37,000	Nova Scotia Business Development Corporation	---
25,644	28,000	26,000	Nova Scotia Farm Loan Board	28,000
---	---	---	Nova Scotia Fund	40,000
13,231	---	14,834	Nova Scotia Housing Development Corporation	33,700
2	---	---	Miscellaneous	---
89,573	**104,000**	**100,434**		**136,700**
			Repayments (A)	
8,987	9,300	10,000	Fisheries Development Fund	10,000
9,630	4,000	5,200	Industrial Development Act	4,000
235	210	208	Municipal Loan and Building Fund Act	208
21,886	16,000	13,000	Nova Scotia Business Development Corporation	---
14,100	15,500	24,000	Nova Scotia Farm Loan Board	17,000
---	---	---	Nova Scotia Fund	15,000
15,682	---	14,431	Nova Scotia Housing Development Corporation	13,000
40	---	---	Venture Corporations Act	---
95	73	73	Miscellaneous	---
70,655	**45,083**	**66,912**		**59,208**
18,918	**58,917**	**33,522**	**Net Capital Advances and Investments**	**77,492**

(A) - Capital Advances and Investments for which no Vote is required under the Appropriations Act. The Spending Authority is contained in the respective Statutes. Borrowing provided for under the Appropriations Act.

HISTORICAL ANALYSIS OF ORDINARY REVENUES BY SOURCE

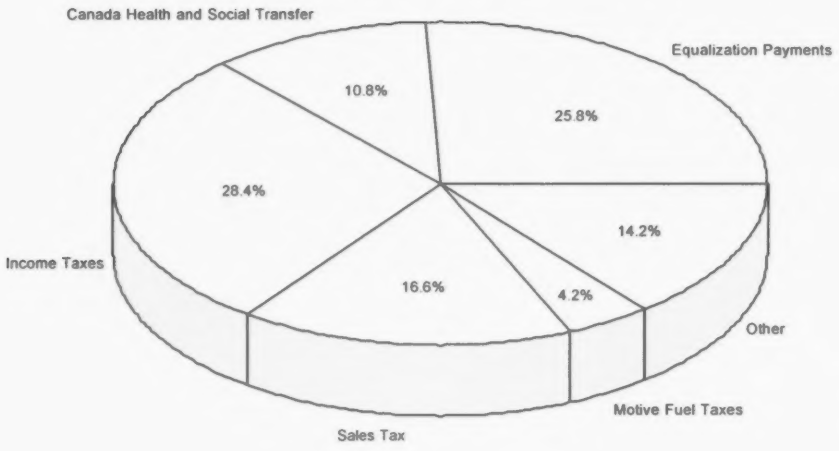
Schedule 6

	1998-1999	*1999-2000*	*2000-2001*	***FORECAST*** *2001-2002*	***ESTIMATE*** *2002-2003*
REVENUE BY SOURCE *($ thousands)*					
Provincial Sources					
Personal Income Tax	992,205	1,144,871	1,228,672	1,274,481	1,315,144
Corporate Income Tax	119,356	149,379	169,232	188,231	183,632
Sales Tax	723,391	754,827	804,280	852,797	888,917
Tobacco Tax	74,598	76,543	75,577	105,855	138,508
Motive Fuel Taxes	211,606	219,389	201,669	216,647	239,350
Gaming Corporation Profits	144,414	164,926	171,256	172,900	186,000
Liquor Commission Profits	129,200	135,170	137,183	145,249	160,208
Interest Revenues	32,784	34,428	39,692	35,187	35,037
Registry of Motor Vehicles	60,980	61,439	61,979	64,144	75,162
Royalties - Petroleum	1,834	1,970	9,269	10,000	10,000
Other Provincial Sources	184,383	166,944	168,267	154,783	160,834
Prior Years' Adjustments - Provincial Sources	31,307	56,428	78,156	77,774	---
Federal Sources					
Equalization	1,260,683	1,279,610	1,395,500	1,326,350	1,320,177
Canada Health and Social Transfer	426,874	527,920	526,054	558,060	591,359
Other Federal Sources	81,545	57,116	2,330	2,330	2,330
Prior Years' Adjustments - Federal Sources	75,462	(47,028)	21,758	(37,225)	---
Total Ordinary Revenues	**4,550,622**	**4,783,932**	**5,090,874**	**5,147,563**	**5,306,658**
REVENUE BY SOURCE *(as a percentage of Total Ordinary Revenues)*					
Provincial Sources					
Personal Income Tax	21.8%	23.9%	24.1%	24.8%	24.8%
Corporate Income Tax	2.6%	3.1%	3.3%	3.7%	3.5%
Sales Tax	15.9%	15.8%	15.8%	16.6%	16.8%
Tobacco Tax	1.6%	1.6%	1.5%	2.1%	2.6%
Motive Fuel Taxes	4.7%	4.6%	4.0%	4.2%	4.5%
Gaming Corporation Profits	3.2%	3.4%	3.4%	3.4%	3.5%
Liquor Commission Profits	2.8%	2.8%	2.7%	2.8%	3.0%
Interest Revenues	0.7%	0.7%	0.8%	0.7%	0.7%
Registry of Motor Vehicles	1.3%	1.3%	1.2%	1.2%	1.4%
Royalties - Petroleum	0.0%	0.0%	0.2%	0.2%	0.2%
Other Provincial Sources	4.1%	3.5%	3.3%	3.0%	3.0%
Prior Years' Adjustments - Provincial Sources	0.7%	1.2%	1.5%	1.5%	---
Total - Provincial Sources	**59.5%**	**62.0%**	**61.8%**	**64.1%**	**63.9%**
Federal Sources					
Equalization	27.7%	26.7%	27.4%	25.8%	24.9%
Canada Health and Social Transfer	9.4%	11.0%	10.3%	10.8%	11.1%
Other Federal Sources	1.8%	1.2%	0.0%	0.0%	0.0%
Prior Years' Adjustments - Federal Sources	1.7%	-1.0%	0.4%	-0.7%	---
Total - Federal Sources	**40.5%**	**38.0%**	**38.2%**	**35.9%**	**36.1%**
Total Ordinary Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

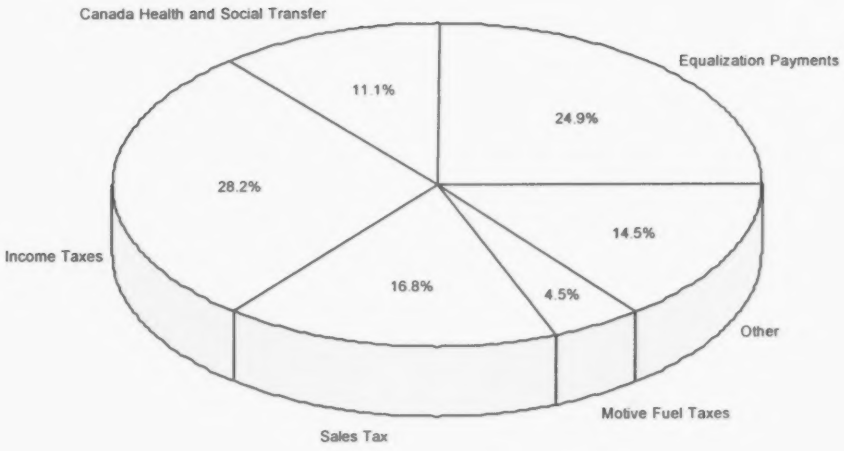
ORDINARY REVENUES BY SOURCE

Chart 1

2001-2002 FORECAST

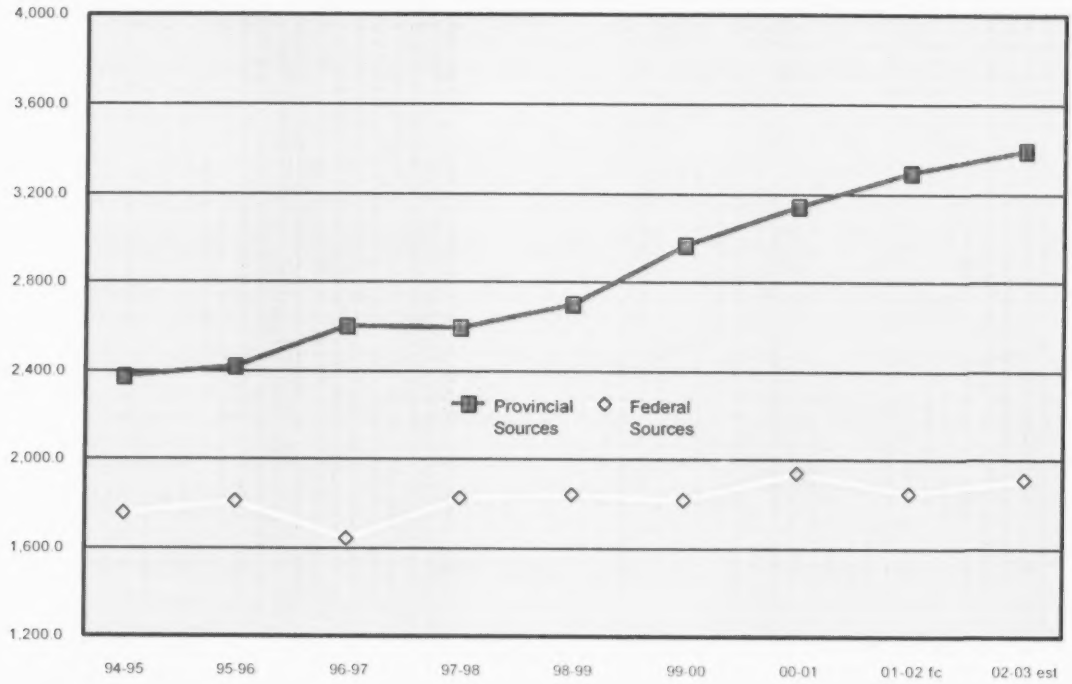


2002-2003 ESTIMATE



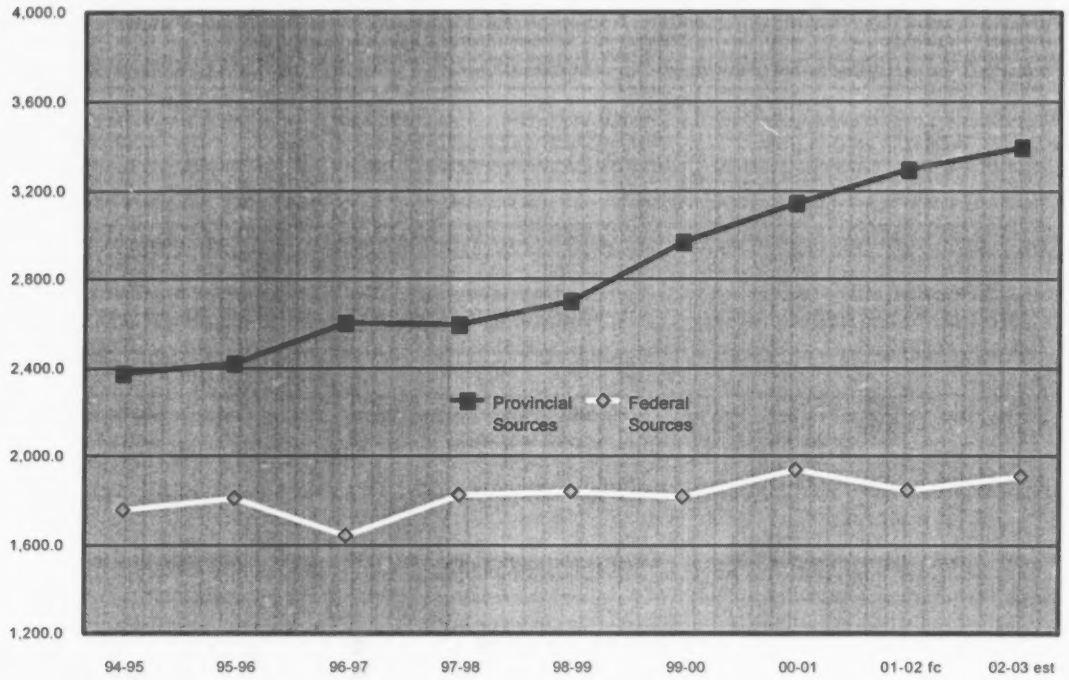
ORDINARY REVENUES BY SOURCE
PROVINCIAL vs FEDERAL SOURCES
($ millions)

Chart 2



ORDINARY REVENUES BY SOURCE
PROVINCIAL vs FEDERAL SOURCES
($ millions)

Chart 2



HISTORICAL ANALYSIS OF TOTAL NET EXPENSES BY FUNCTION

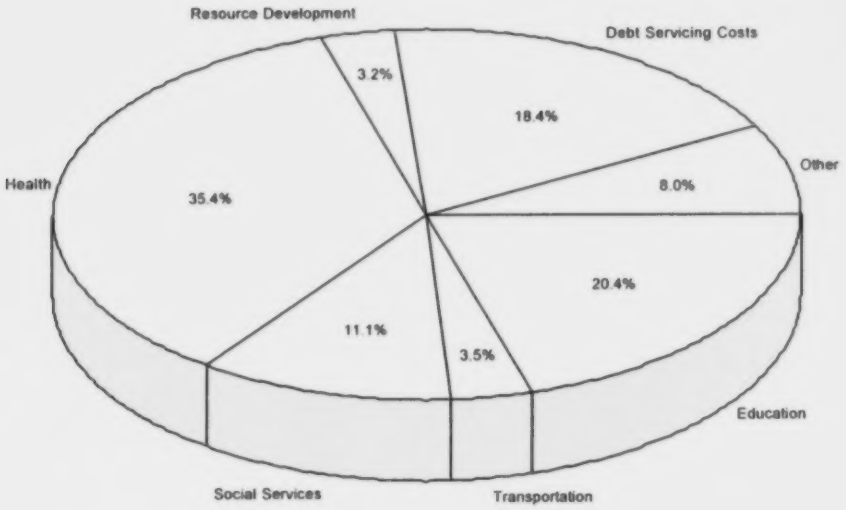
Schedule 7

	1998-1999	*1999-2000*	*2000-2001*	***FORECAST*** *2001-2002*	***ESTIMATE*** *2002-2003*
FUNCTION					
($ thousands)					
General Government	143,632	154,230	180,495	178,214	150,535
Public Protection	145,861	161,596	149,304	164,501	163,499
Transportation	189,928	181,575	196,187	193,547	201,339
Resource Development	160,033	195,894	174,148	174,041	154,959
Health	1,654,260	1,797,415	1,806,716	1,943,139	2,014,606
Social Services	561,599	571,727	561,014	608,306	614,139
Education	1,089,787	1,172,153	1,078,144	1,118,991	1,125,497
Culture and Recreation	39,025	43,842	41,238	43,295	40,226
Municipal Affairs	76,988	72,913	63,396	54,343	47,924
Total Net Program Expenses	**4,061,113**	**4,351,345**	**4,250,642**	**4,478,377**	**4,512,724**
Debt Servicing Costs	909,046	975,781	1,020,617	1,011,733	1,009,881
Total Net Expenses	**4,970,159**	**5,327,126**	**5,271,259**	**5,490,110**	**5,522,605**
FUNCTION					
(as a percentage of Total Net Expenses)					
General Government	2.9%	2.9%	3.4%	3.2%	2.7%
Public Protection	3.0%	3.0%	2.8%	3.0%	3.0%
Transportation	3.8%	3.5%	3.7%	3.5%	3.6%
Resource Development	3.2%	3.7%	3.3%	3.2%	2.8%
Health	33.3%	33.7%	34.3%	35.4%	36.5%
Social Services	11.3%	10.7%	10.7%	11.1%	11.1%
Education	21.9%	22.0%	20.4%	20.4%	20.4%
Culture and Recreation	0.8%	0.8%	0.8%	0.8%	0.7%
Municipal Affairs	1.5%	1.4%	1.2%	1.0%	0.9%
Total Net Program Expenses	**81.7%**	**81.7%**	**80.6%**	**81.6%**	**81.7%**
Debt Servicing Costs	18.3%	18.3%	19.4%	18.4%	18.3%
Total Net Expenses	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

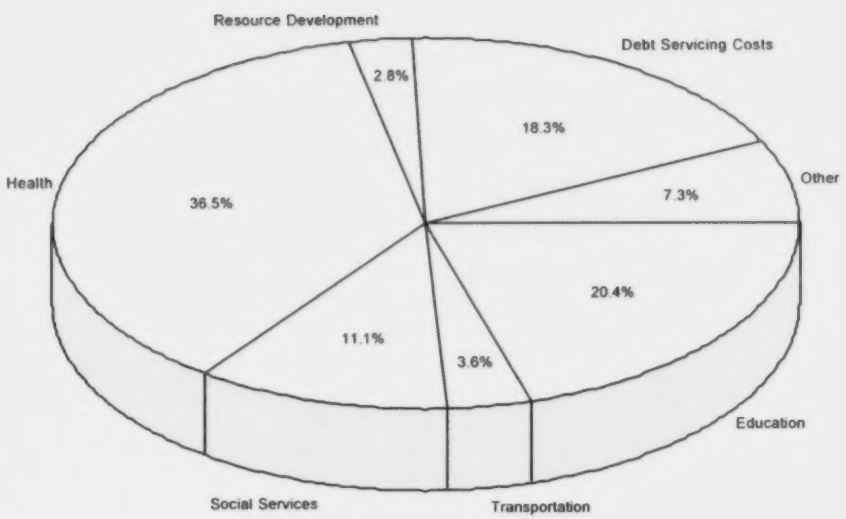
TOTAL NET EXPENSES BY FUNCTION

Chart 3

2001-2002 FORECAST



2002-2003 ESTIMATE



SUMMARY OF REVENUES AND EXPENSES BY SOURCE AND FUNCTION

Schedule 8

($ thousands)

ESTIMATE 2001-2002	*FORECAST 2001-2002*	*CHANGE OVER ESTIMATE 2001-2002*		*ESTIMATE 2002-2003*
			Consolidated Fund	
			Net Revenues by Source	
			Provincial Sources	
1,250,795	1,274,481	23,686	Personal Income Tax	1,315,144
200,864	188,231	(12,633)	Corporate Income Tax	183,632
845,724	852,797	7,073	Harmonized Sales Tax	888,917
83,200	105,855	22,655	Tobacco Tax	138,508
215,500	216,647	1,147	Motive Fuel Taxes	239,350
170,800	172,900	2,100	Gaming Corporation Profits	186,000
139,800	145,249	5,449	Liquor Commission Profits	160,208
34,587	35,187	600	Interest Revenues	35,037
62,749	64,144	1,395	Registry of Motor Vehicles	75,162
14,000	10,000	(4,000)	Royalties - Petroleum	10,000
160,181	154,783	(5,398)	Other Provincial Sources	160,834
			Federal Sources	
1,394,000	1,326,350	(67,650)	Equalization	1,320,177
560,241	558,060	(2,181)	Canada Health and Social Transfer	591,359
2,330	2,330	---	Other Federal Sources	2,330
---	40,549	40,549	Prior Years' Adjustments - Federal-Provincial Fiscal Arrangements	---
5,134,771	**5,147,563**	**12,792**	**Total - Net Revenues**	**5,306,658**
			Net Expenses by Function	
175,560	178,214	2,654	General Government	150,535
161,111	164,501	3,390	Public Protection	163,499
191,443	193,547	2,104	Transportation	201,339
161,593	174,041	12,448	Resource Development	154,959
1,904,132	1,943,139	39,007	Health	2,014,606
589,947	608,306	18,359	Social Services	614,139
1,092,577	1,118,991	26,414	Education	1,125,497
41,783	43,295	1,512	Culture and Recreation	40,226
55,223	54,343	(880)	Municipal Affairs	47,924
4,373,369	**4,478,377**	**105,008**	**Total - Net Program Expenses**	**4,512,724**
(48,750)	**(60,000)**	**(11,250)**	**Pension Valuation Adjustment**	**(50,000)**
908,857	**862,353**	**(46,504)**	**Net Debt Servicing Costs**	**865,134**
5,233,476	**5,280,730**	**47,254**	**Total - Net Expenses**	**5,327,858**
(98,705)	**(133,167)**	**(34,462)**		**(21,200)**
8,000	**26,838**	**18,838**	**Consolidation and Accounting Adjustments for Government Service Organizations and Net Income (Losses) Business Enterprises**	**22,500**
(90,705)	**(106,329)**	**(15,624)**	**Provincial Surplus (Deficit)**	**1,300**

GROSS DOMESTIC PRODUCT at MARKET PRICES

(Constant 1997 $ millions)

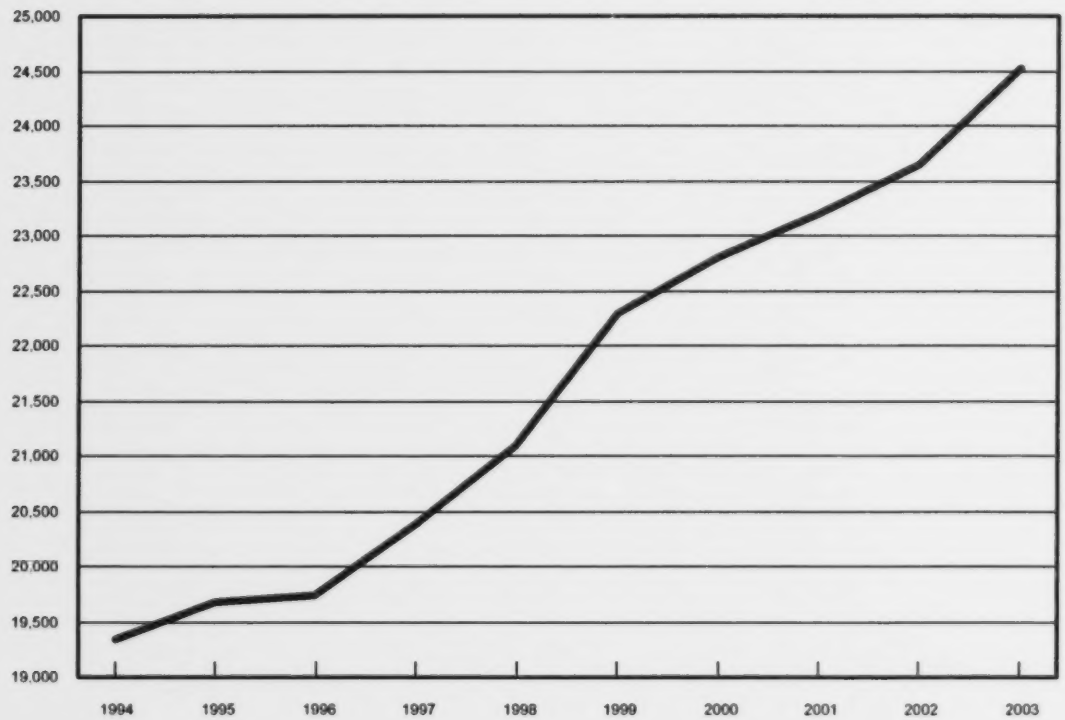
Schedule 9

YEAR	NOVA SCOTIA (1)	GROWTH RATE %	CANADA (2)	GROWTH RATE %
1994	19,350		812,715	
1995	19,686	1.7	835,581	2.8
1996	19,752	0.3	848,663	1.6
1997	20,399	3.3	885,022	4.3
1998	21,100	3.4	919,770	3.9
1999	22,298	5.7	966,362	5.1
2000	22,815	2.3	1,009,182	4.4
2001	23,208 p	1.7	1,024,196	1.5
2002	23,656 p	1.9	1,051,062 p	2.6
2003	24,530 p	3.7	1,091,316 p	3.8

1 Source: Statistics Canada, Provincial Economic Accounts, Cat. No. 13-213-PPB
2 Source: Statistics Canada, National Income and Expenditure Accounts, Cat. No. 13-001-PPB
p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Gross Domestic Product at Market Prices

(Constant 1997 $ millions)



PERSONAL INCOME PER CAPITA

(dollars)

Schedule 10

YEAR	NOVA SCOTIA (1)	% CHANGE	CANADA (1)	% CHANGE
1994	19,516		22,273	
1995	19,921	2.1	22,908	2.9
1996	19,951	0.2	23,178	1.2
1997	20,656	3.5	23,877	3.0
1998	21,699	5.0	24,702	3.5
1999	22,718	4.7	25,684	4.0
2000	23,787	4.7	26,999	5.1
2001	24,489	3.0	27,756 *	2.8
2002	25,097 p	2.5	28,521 p	2.8
2003	26,090 p	4.0	29,624 p	3.9

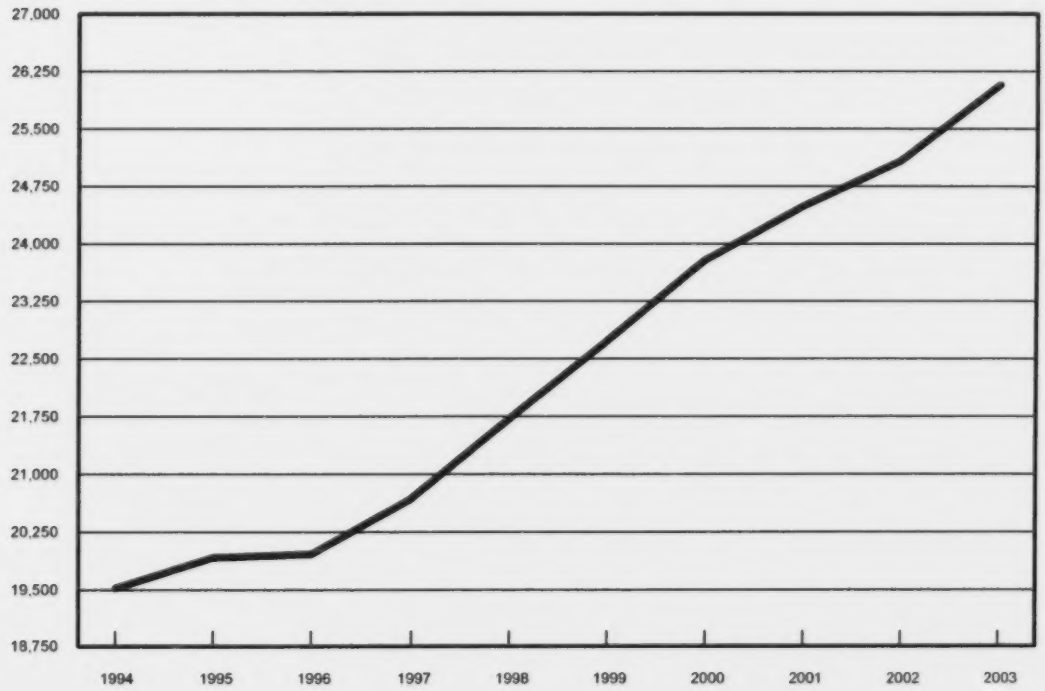
1 Source: Statistics Canada, Cat. Nos. 13-001-XPB, 13-213-PPB, Statistics Canada, Demography Division and Nova Scotia Department of Finance

* Preliminary Actuals; Source: Statistics Canada, Cat. Nos. 13-001-XPB and Statistics Canada, Demography Division

p Preliminary Projections; Source: Nova Scotia Department of Finance

Personal Income Per Capita in Nova Scotia

(dollars)



NOVA SCOTIA LABOUR MARKET

(thousands of persons)

Schedule 11

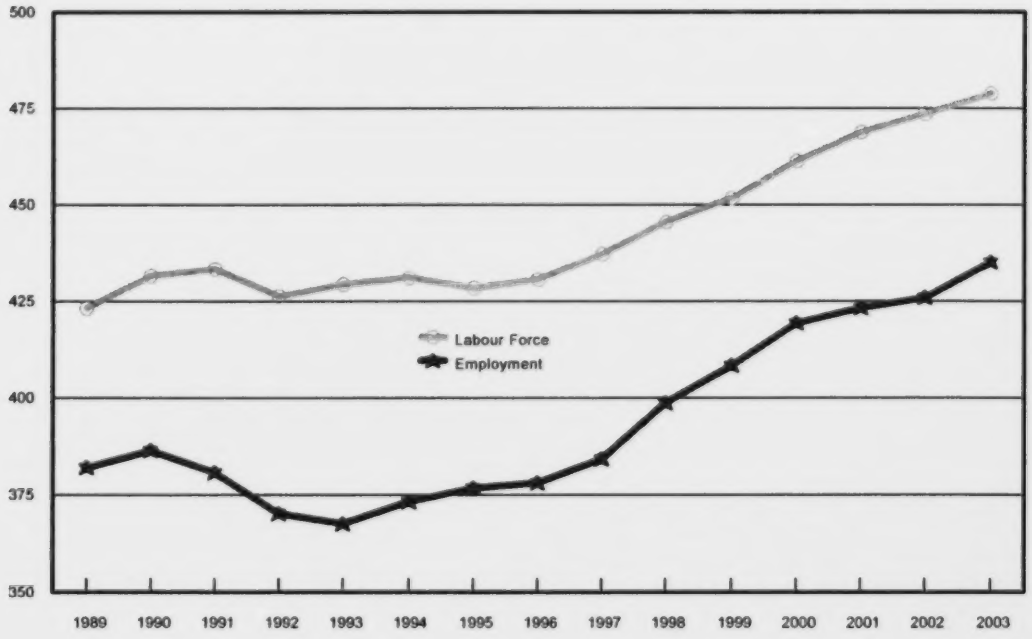
YEAR	LABOUR FORCE (1)	% CHANGE	EMPLOYMENT (1)	% CHANGE
1989	424		382	
1990	432	2.0	387	1.2
1991	434	0.4	381	(1.4)
1992	427	(1.6)	370	(2.8)
1993	430	0.7	368	(0.7)
1994	432	0.5	373	1.5
1995	429	(0.6)	377	1.0
1996	431	0.5	378	0.3
1997	437	1.5	384	1.6
1998	446	1.9	399	3.8
1999	452	1.4	409	2.4
2000	462	2.1	420	2.7
2001	469	1.6	423	0.9
2002	474 p	1.1	426 p	0.7
2003	479 p	1.1	435 p	2.1

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat. No. 71-201-XPB

p Preliminary Projections; Source: Nova Scotia Department of Finance

Nova Scotia Labour Market

(thousands of persons)



UNEMPLOYMENT
(thousands of persons)

Schedule 12

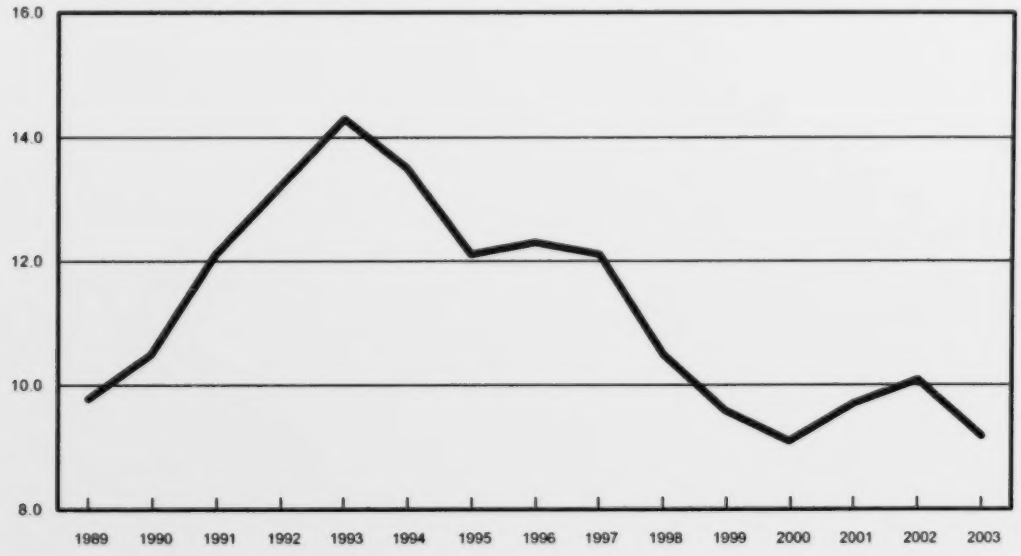
YEAR	NOVA SCOTIA (1) UNEMPLOYED	NOVA SCOTIA (1) UNEMPLOYMENT RATE %	CANADA (1) UNEMPLOYED	CANADA (1) UNEMPLOYMENT RATE %
1989	41	9.8	1,060	7.5
1990	46	10.5	1,157	8.1
1991	53	12.1	1,480	10.3
1992	56	13.2	1,602	11.2
1993	62	14.3	1,647	11.4
1994	58	13.5	1,515	10.4
1995	52	12.1	1,393	9.4
1996	53	12.3	1,437	9.6
1997	53	12.1	1,379	9.1
1998	47	10.5	1,277	8.3
1999	43	9.6	1,190	7.6
2000	42	9.1	1,090	6.8
2001	46	9.7	1,170	7.2
2002	48 p	10.1 p	1,262 p	7.7 p
2003	44 p	9.2 p	1,207 p	7.2 p

1 Source: Statistics Canada, Historical Labour Force Statistics, Cat No. 71-201-XPB

p Preliminary Projections; Source: Nova Scotia Department of Finance

Note: The unemployment statistics shown in this table are annual averages of the monthly indices.

Unemployment Rate in Nova Scotia
(Per Cent)



FISCAL PLAN 2002-2003 to 2005-2006

Schedule 13

($ millions)

	ESTIMATE 2001-2002	FORECAST 2001-2002	ESTIMATE 2002-2003	ESTIMATE 2003-2004	ESTIMATE 2004-2005	ESTIMATE 2005-2006
Revenue	5,134.8	5,147.6	5,306.7	5,359.6	5,510.4	5,687.3
Net Program Expenses	4,324.6	4,418.4	4,462.7	4,531.7	4,627.7	4,857.4
Debt Servicing Costs	1,043.4	1,011.7	1,009.9	978.6	1,045.8	1,004.2
Less Sinking Fund Earnings	(134.5)	(149.4)	(144.8)	(140.7)	(153.1)	(164.3)
Net Debt Servicing Costs	908.9	862.4	865.1	837.9	892.7	839.9
Net Expenses	5,233.5	5,280.8	5,327.8	5,369.6	5,520.4	5,697.3
Net Income (Losses) Government Business Enterprises	8.0	26.8	22.5	10.0	10.0	10.0
Provincial Surplus (Deficit)	(90.7)	(106.3)	1.3	0.0	0.0	0.0

With this budget, the Nova Scotia government has taken the first step toward fiscal sustainability. The budget in fiscal 2002-2003 is balanced, as it will be every year thereafter.

The 2002-2003 budget calls for prudent expenditure control and increased provincial revenues. The government has taken a measured approach to expenditure growth while at the same time responding to the priorities of Nova Scotians. As a result, Nova Scotians will see increases in health care funding, education, community services and roads.

The commitment in the fiscal plan to produce balanced budgets will be achieved by ensuring that expenditure growth remains at a rate lower than revenue growth. In the government's fiscal plan, expenditure growth will be held relatively flat while revenue is projected to grow at a modest rate. The revenue projections from fiscal 2003-2004 onward include the government's commitment to reduce personal income taxes.

Even with balanced budgets, Nova Scotia's debt will continue to grow over the short-term, due in part to the need for the Province to renovate and replace its aging infrastructure. The rate of growth in the debt is being managed and is being balanced against the projected growth in Nova Scotia's economy. The government will be releasing a debt management plan that will outline the steps that the government will take to manage its debt level.

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Overview of Treasury Management in Fiscal 2001-2002

The Debt Management Committee oversees the treasury and debt management function of the Province by providing staff with strategic objectives and guidelines for financial risk management and capital market activities. The Deputy Minister of Finance is the Chair of the DMC. The Committee exercises its authority by delegating certain functional tasks through Sub-Committees such as the Credit Sub-Committee, the ISDA Sub-Committee, the Cash Forecasting Sub-Committee, and the Internal Audit Sub-Committee.

In fiscal 2001-2002, the Province borrowed approximately $2.74 billion, up substantially from the previous year's level of $1.33 billion and Budget borrowing requirements of $1.06 billion. The Province took advantage of favourable market conditions both nationally and internationally to complete the year's borrowing needs and to pre-borrow for the refinancing of existing debt in subsequent fiscal years.

Structure of the Debt Portfolio

The following five profiles help describe the overall structure and risk profile of the Province's Debt Portfolio: 1) primary issuance market; 2) maturity schedule; 3) foreign currency exposure; 4) interest rate mix; and, 5) derivative counterparty exposure.

1) Primary Issuance Market

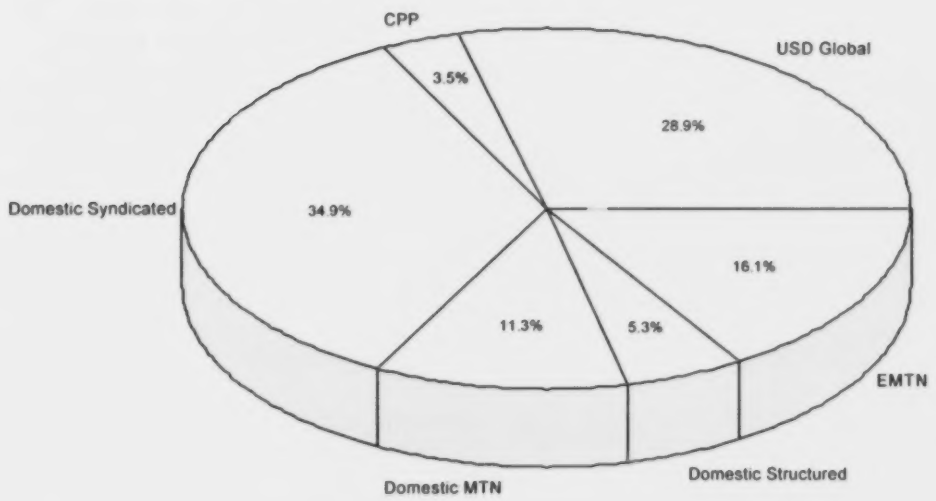
In fiscal 2001-2002, the Province borrowed its requirements for the year in the domestic and international financial markets by way of three domestic public issues, one USD Global issue, three Euro Medium Term Note (EMTN) transactions, 10 domestic Medium Term Notes (MTNs), and the refinancing of a Canada Pension Plan maturity. The overall size of the borrowing program increased to $2.74 billion from its original forecast of $1.063 billion. The reasons for this increase in borrowing are pre-borrowing for future years, and $236.0 million in increased debt maturities due to called structured product. Chart 4, titled "Consolidated Fund Debt Portfolio - Issuance Profile" outlines the composition of debt issued in fiscal 2001-2002.

The Province has established a diversity of borrowing sources, as this is a key factor in lower financing costs and maintaining a broad demand for Nova Scotia debt issues. In addition to the Canadian Domestic market, the Province maintains documentation necessary in order to issue securities in both the United States and the Japanese markets. In early 2000, the Province established a Euro Medium Term Note program to provide more timely and efficient access to European institutional and retail markets. In fiscal 2001-2002, the Province executed its first three term debt transactions under the EMTN program. These transactions consisted of a $200.0 million Euro Canadian (Canadian dollar issue sold in European markets), $185.0 million five year floating interest rate note in Canadian dollars and a 40.0 million euro currency floating interest rate note that was swapped to a Canadian dollar liability.

The Province has maintained its US shelf registration statement (18-K) with Securities and Exchange Commission for a number of years without a transaction. In February 2002 the Province assessed the cost of funds of a USD Global transaction to be an attractive opportunity and borrowed $795.0 million CAD via a USD Global issue swapped to a Canadian dollar liability. These funds were deposited in the Public Debt Retirement Fund and will be used to reduce borrowing requirements in the medium-term (see Schedule 17). In fiscal 2001-2002, the Province significantly reduced the level of short-term promissory notes.

CONSOLIDATED FUND DEBT PORTFOLIO -
Issuance Profile, 2001-2002

Chart 4

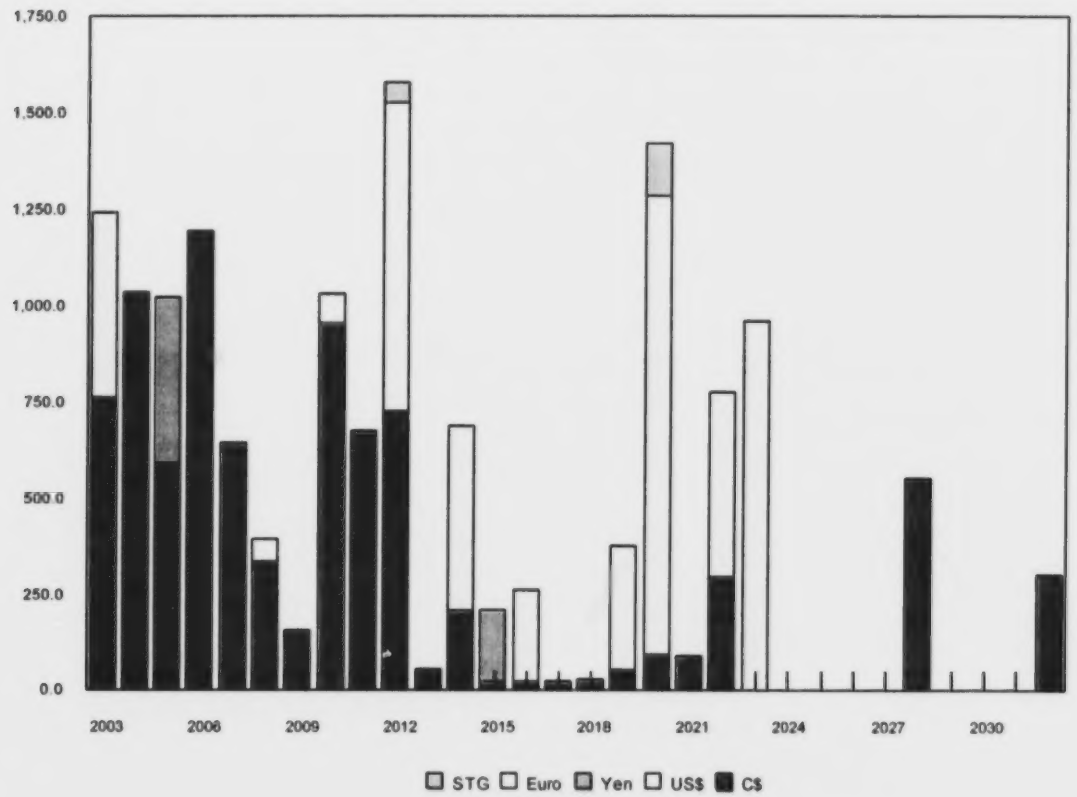


Some Crown agencies of the Province of Nova Scotia have lent monies to the consolidated fund on a short-term basis. At March 28, 2002, a total of $83.1 million was invested by the Nova Scotia Government Fund, the Workers' Compensation Board of Nova Scotia, the Nova Scotia Gaming Corporation, the Nova Scotia Municipal Finance Corporation, the Nova Scotia Research and Innovation Trust, and the Nova Scotia Crop and Livestock Insurance Commission.

2) Term to Maturity

The expected weighted average term to maturity of the gross debt portfolio at March 31, 2002 remained unchanged at 10.2 years. Chart 5, titled "Consolidated Fund Debt Portfolio - Maturity Schedule" displays the maturity profile of the Province's gross debt portfolio. The Province's currency exposures are shown prior to the effect of derivative transactions. Debt maturities are $1.3 billion in fiscal 2002-2003 and $1.1 billion in fiscal 2003-2004 (see Schedule 17). These amounts are partially offset by Sinking Funds established to retire each debt issue. The Province also has the option of drawing down the Public Debt Retirement Fund (PDRF) and Sinking Fund General to retire debt and maintain liquidity (see Schedule 18).

CONSOLIDATED FUND DEBT PORTFOLIO - *Chart 5*
Maturity Schedule
(in C$ millions)



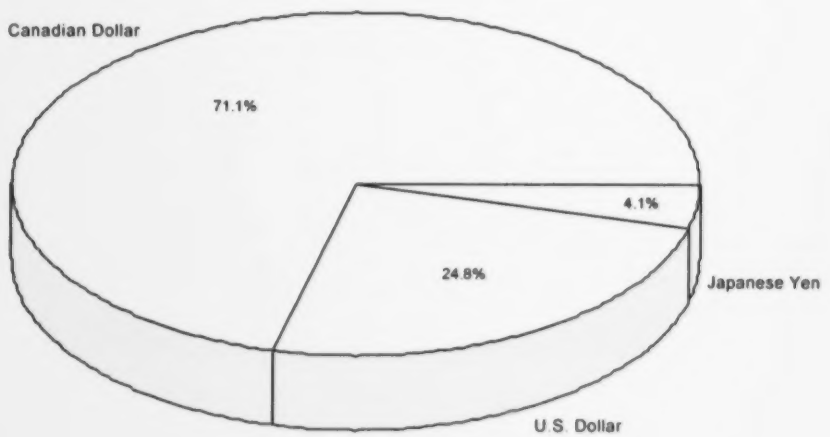
3) Foreign Currency Exposure

The Canadian dollar denominated debt represented the largest share of the gross debt portfolio at 71.1 percent (excluding Sinking Funds and Public Debt Retirement Funds) based on the face value in Canadian dollars, up from 69.2 percent a year earlier. The reduction in foreign currency exposure during 2001-2002 was due to the continued weakening of the Japanese Yen and increased Canadian dollar financing. These factors were somewhat offset by the decline in the value of the Canadian dollar relative to the US dollar. The Nova Scotia Provincial Finance Act requires that the Province reduce its foreign currency exposure to under 20 percent and that all maturities with a term greater than one year are refinanced net in Canadian dollars. The Department of Finance continues to forecast that the Province will achieve the 20 percent foreign exposure target by no later than September 2004 because of the legislation and the schedule of foreign currency maturities.

In fiscal 2001-2002, the value of the Canadian dollar against the US dollar (on a year-over-year basis) deteriorated slightly to the detriment of the Province. A rate of $1.5935 ($0.6275 USD/CAD) for the Canadian dollar per USD is used for March 31, 2002. The value of the Japanese Yen rose to 132.61 from 125.589 Yen per USD to the benefit of the Province. The Province's largest foreign currency exposure remains to US dollars at 24.8 percent, down from 25.8 percent a year earlier. Japanese yen exposure is the second largest foreign exposure at approximately 4.1 percent. Chart 6, titled "Consolidated Fund Debt Portfolio - Foreign Currency Exposure" displays the current profile of the Province's debt portfolio after the use of derivatives.

CONSOLIDATED FUND DEBT PORTFOLIO -
Foreign Currency Exposure
(at March 31, 2001)

Chart 6

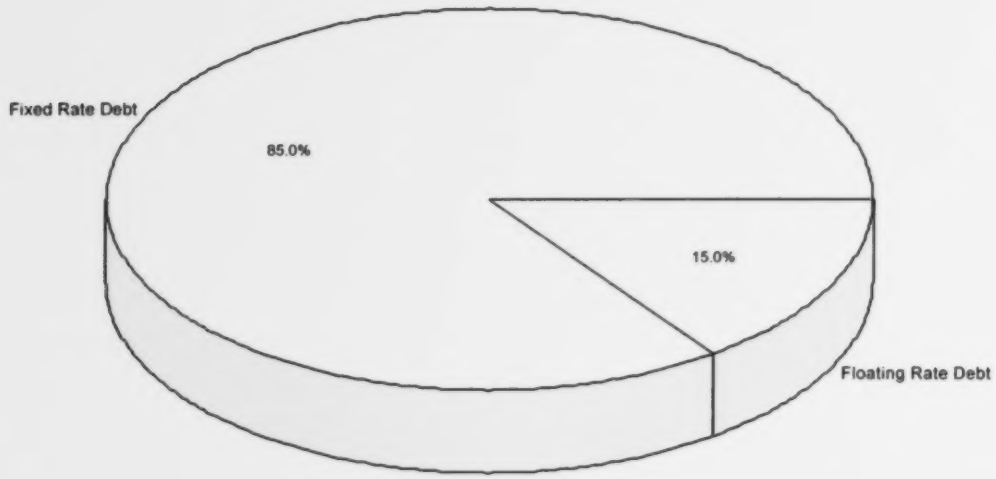


4) Interest Rate Mix

The debt portfolio's net exposure to floating interest rates has remained largely unchanged over the past year at 15 percent for the fiscal year ended March 31, 2002. The Province defines floating rate exposure as the proportion of debt that resets its interest in the next fiscal year, including debt maturing in under one year. The Consolidated Fund's gross exposure to floating interest rates is 24.4 percent and that exposure is offset by floating interest rate assets that comprise approximately 9.4 percent of total liabilities, for a net exposure of 15 percent. This level is at the low end of the Province's floating rate exposure policy of having floating rate exposure in the range of 15 to 35 percent of debt outstanding. Having 85 percent of the total principal in fixed rate form provides stability in debt servicing costs for future years. Chart 7, titled "Consolidated Fund Debt Portfolio - Fixed and Floating Rate Debt" displays the interest rate profile of the Province's debt portfolio.

CONSOLIDATED FUND DEBT PORTFOLIO -
Fixed and Floating Rate Debt

Chart 7

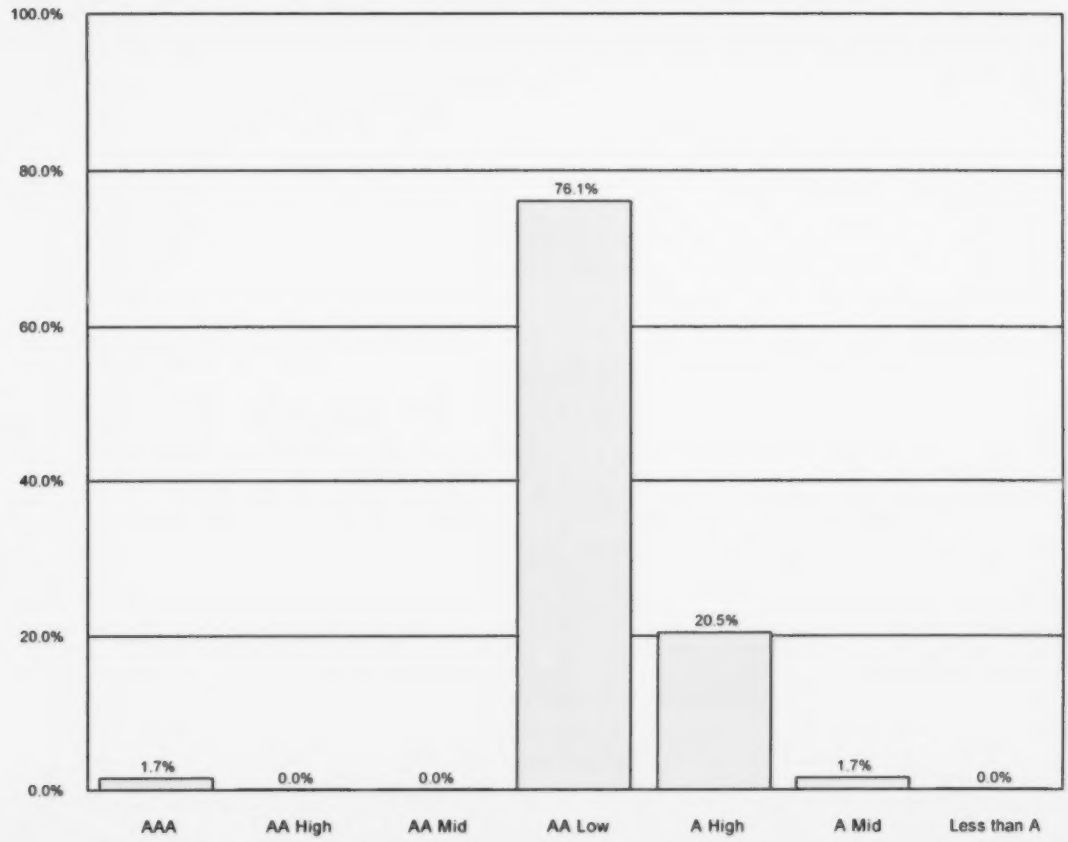


5) Derivative Counterparty Exposure

The Province is currently party to approximately $4.2 billion notional face value of derivative transactions. The Province's credit policy is that it only executes derivative transactions with well rated counterparties. All counterparties are rated equal to or better than the Province. The Department of Finance actively monitors and manages credit risks of the derivative portfolio. All counterparty exposure and limits are reviewed monthly by the Credit Sub-Committee of the Debt Management Committee. Chart 8, titled "Consolidated Fund Debt Portfolio - Derivative Counterparty Rating" displays the percentage exposure with counterparties of various ratings. When a counterparty has a split rating, the Province uses the lower amongst the ratings.

CONSOLIDATED FUND DEBT PORTFOLIO -
Derivative Counterparty Rating
(Per Cent)

Chart 8

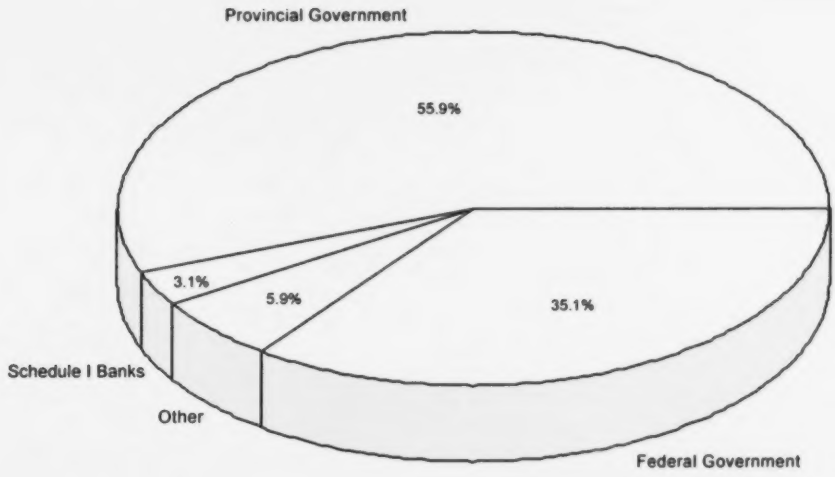


Structure of Sinking Funds and Public Debt Retirement Fund

Sinking Funds totaling $567.0 million that were held for Canada Pension Plan and Medium Term Notes (MTNs), as of March 31, 2002, have been moved to the "Sinking Fund General". These monies are available at the discretion of the Minister of Finance to retire maturing debt issues.

At March 31, 2002, the estimated book value of the Sinking Funds is $2,121.0 million and the Public Debt Retirement Funds (PDRF) is $1,798.1 million (see Schedule 18). The policy objectives of the Sinking Fund and the PDRF are to manage interest rate and currency exposure, manage short-term liquidity, and assist in the refunding of maturing debt while at the same time providing a long-term investment return to the Province.

Sinking and Public Debt Retirement Funds *Chart 9*
Investments by Type of Issuer
(on a Book Value Basis)



The assets of the Sinking Fund and PDRF are invested in high quality investments subject to approval by the Credit Sub-Committee of the Debt Management Committee. At the end of March 2002, 91 percent of the assets were invested in either federal or provincial debt obligations. The Public Debt Retirement Fund is primarily invested in Government of Canada and provincial bonds other than the Province of Nova Scotia. Cash and equivalents in the Sinking Fund and PDRF are 12 percent of total assets. Chart 9, titled "Sinking and Public Debt Retirement Funds - Investment by Type of Issuer" further details the breakdown of the investments held by the Sinking Funds and the Public Debt Retirement Fund.

DEBT SERVICING COSTS - Sensitivity Analysis

Schedule 14

Change in Financial Market Variables	*Change in Debt Servicing Costs (Cdn $ millions)*
$10.0 million change in borrowing requirements	0.50
1% change in Canada 3 - Month Treasury Bill	11.26
1% change in Canada 10 - Year Bond	3.85
1% change in US 3 - Month Treasury Bill	3.85
1 Canadian cent change per 1 US dollar	2.60
1 Japanese Yen change per 1 US dollar	0.30

Debt Servicing Costs - Sensitivity Analysis

Actual debt servicing costs (DSC) will vary from estimated amounts due to the dependence of DSC on certain financial market variables and changes in the amount borrowed. The assumed levels for financial market variables are listed in Schedule 15. The sensitivity of DSC estimates for the key variables is listed in Schedule 14.

The sensitivities show how much DSC would change if a variable changed from an assumed level for a full year. For example, if the Canadian dollar was 1 cent stronger relative to the assumed level of $1.60 for the entire period April 1, 2002 to March 31, 2003, then DSC would decrease by $2.6 million, all other factors held constant.

INTEREST RATE and FOREIGN EXCHANGE RATE ASSUMPTIONS

Schedule 15

			Assumptions				
	ESTIMATE 2001-2002	*AVERAGE 2001-2002 Actual*	*ACTUAL 31-Mar-2002*	*ESTIMATE 2002-2003*	*ESTIMATE 2003-2004*	*ESTIMATE 2004-2005*	*ESTIMATE 2005-2006*
Foreign Exchange Rates							
United States Dollar							
CAD/USD	1.5712	1.5647	1.5935	1.6000	1.5708	1.5620	1.5600
USD/CAD	0.6365	0.6391	0.6275	0.6250	0.6366	0.6402	0.6410
Japanese Yen							
JPY/USD	118.400	124.960	132.610	130.000	121.870	110.940	105.000
JPY/CAD	75.36	79.86	83.22	81.25	77.58	71.02	67.31
10-Year Government Rates							
Canada	5.25%	5.49%	5.76%	5.50%	6.10%	6.50%	6.75%
3-Month Treasury Bill Rates							
Canada	4.45%	3.15%	2.32%	2.40%	3.40%	4.15%	4.50%
United States	4.25%	2.69%	1.80%	2.00%	2.90%	3.65%	4.00%

All assumptions are shown as average levels for the relevant fiscal year.

Interest Rate and Foreign Exchange Rate Assumptions

The interest rate and foreign exchange rate assumptions that are used to estimate fiscal year 2002-2003 Debt Servicing Costs are shown in the column "Estimate, 2002-2003" in Schedule 15. This Schedule also shows the assumptions used to estimate debt servicing costs for the fiscal year 2001-2002 and the actual levels achieved in that fiscal year. The column "Average, 2001-2002, Actual" shows the average actual level for the period from April 1, 2002 to March 31, 2002. The column "Actual, 31-Mar-2002" shows the actual level on March 28, 2002.

PROJECTED DEBT SERVICING COSTS

Schedule 16

($ millions)

	ESTIMATE 2001-2002	*FORECAST 2001-2002*	*ESTIMATE 2002-2003*	*ESTIMATE 2003-2004*	*ESTIMATE 2004-2005*	*ESTIMATE 2005-2006*
Gross Debt Servicing Costs	1,043.4	1,011.7	1,009.9	978.6	1,045.8	1,004.2
Less: Sinking Fund Earnings	(134.5)	(149.4)	(144.8)	(140.7)	(153.1)	(164.3)
Net Debt Servicing Costs	**908.9**	**862.4**	**865.1**	**837.9**	**892.7**	**839.9**

PROJECTED BORROWING REQUIREMENTS

Schedule 17

($ millions)

	ESTIMATE 2001-2002	*FORECAST 2001-2002*	*ESTIMATE 2002-2003*	*ESTIMATE 2003-2004*	*ESTIMATE 2004-2005*	*ESTIMATE 2005-2006*
Government Operations	90.7	106.3	(1.3)	—	—	—
Net Capital Advances	58.9	33.5	77.5	80.0	80.0	80.0
Net Tangible Capital Assets	84.7	83.1	101.7	102.8	92.8	82.8
Non-Budgetary Transactions	(4.1)	(102.9)	130.8	42.4	34.5	43.0
Nova Scotia Resources Limited	(420.0)	(394.5)	—	—	—	—
Cash Operating Requirements	**(189.8)**	**(274.5)**	**308.7**	**225.2**	**207.3**	**205.8**
Debt Retirement	**1,035.9**	**1,343.1**	**1,304.2**	**1,113.5**	**1,080.9**	**1,225.5**
Public Debt Retirement Fund Instalments	—	1,000.0	—	—	—	—
Public Debt Retirement Fund Income (1)	53.8	40.2	45.6	44.2	29.4	16.0
Public Debt Retirement Fund Withdrawals	(100.0)	—	(475.0)	(475.0)	(475.0)	(475.0)
Net PDRF requirements	**(46.2)**	**1,040.2**	**(429.4)**	**(430.8)**	**(445.6)**	**(459.0)**
Sinking Fund Instalments (2)	253.8	253.8	239.1	264.7	297.3	300.0
Sinking Fund Income (1)	134.5	149.4	144.7	141.1	152.6	162.6
Sinking Fund Withdrawals	(125.3)	(231.3)	(481.1)	(257.2)	(269.2)	(379.5)
Net Sinking Fund Requirements	**263.0**	**171.9**	**(97.3)**	**148.6**	**180.7**	**83.1**
Total Requirements	**1,062.9**	**2,280.7**	**1,086.2**	**1,056.5**	**1,023.3**	**1,055.4**
Change in Short-Term Borrowing (Increase)/Decrease	**—**	**459.5**	**(350.0)**	**—**	**—**	**—**
Total Borrowing Requirements	**1,062.9**	**2,740.2**	**736.2**	**1,056.5**	**1,023.3**	**1,055.4**
Term Debt Borrowing (Proceeds):						
Domestic Syndicated Issues		956.4				
USD Global Issue		792.0				
Euro Medium Term Notes		440.7				
Medium Term Notes		454.8				
Canada Pension Plan		96.3				
Total - Term Debt Borrowing		**2,740.2**				

(1) - Sinking Fund and Public Retirement Fund income is included in the calculation of the provincial (surplus)/deficit but retained in the funds and therefore not available for consolidated fund operating activities. Thus it is shown as a borrowing requirement.

(2) - Sinking funds are required to be maintained for certain debt issues in accordance with debenture covenants. The Province maintains sinking funds for all syndicated debt issues as a matter of policy. Public Debt Retirement Funds are designed to help manage short term liquidity and pre-funding.

PROJECTED GROSS and NET DEBT

($ millions)

Schedule 18

	ACTUAL 2000-2001 (recast)	*FORECAST 2001-2002*	*ESTIMATE 2002-2003*	*ESTIMATE 2003-2004*	*ESTIMATE 2004-2005*	*ESTIMATE 2005-2006*
Gross Debt						
Opening Balance	**12,975.7**	**14,077.2**	**14,955.5**	**14,725.6**	**14,607.7**	**14,515.9**
Borrowing Program	1,330.6	2,740.2	736.2	1,056.5	1,023.3	1,055.4
Debt Retirement	(1,226.1)	(1,343.1)	(1,304.2)	(1,113.5)	(1,080.9)	(1,225.5)
Foreign Exchange (Gain)/Loss	128.6	7.6	26.7	(25.3)	1.5	11.9
On-Lending - NSMFC	21.1	16.0	(38.6)	(35.6)	(35.7)	(40.6)
P3 Leases	21.1	82.1	—	—	—	—
Change in Net Unfunded Debt	826.2	(624.5)	350.0	—	—	—
Closing Balance	**14,077.2**	**14,955.5**	**14,725.6**	**14,607.7**	**14,515.9**	**14,317.1**
Less: Public Debt Retirement Funds						
Opening Balance	**950.4**	**757.9**	**1,798.1**	**1,368.7**	**937.9**	**492.3**
Instalments	—	1,000.0	—	—	—	—
Earnings	57.5	40.2	45.6	44.2	29.4	16.0
Debt Retirement	(250.0)	—	(475.0)	(475.0)	(475.0)	(475.0)
Closing Balance	**757.9**	**1,798.1**	**1,368.7**	**937.9**	**492.3**	**33.3**
Less: Sinking Funds						
Opening Balance	**1,831.7**	**1,949.1**	**2,121.0**	**2,023.7**	**2,172.3**	**2,353.0**
Instalments and Serial Retirements	286.8	253.8	239.1	264.7	297.3	300.0
Earnings	126.6	149.4	144.7	141.1	152.6	162.6
Debt Retirement	(296.0)	(231.3)	(481.1)	(257.2)	(269.2)	(379.5)
Closing Balance	**1,949.1**	**2,121.0**	**2,023.7**	**2,172.3**	**2,353.0**	**2,436.1**
Net Debt	**11,370.2**	**11,036.4**	**11,333.2**	**11,497.5**	**11,670.6**	**11,847.7**

Gross Debt includes outstanding debentures, short term promissory notes net of related investments, debt associated with hospitals and public schools, debt assumed for Teachers' Pension Fund, and Members' Retiring Fund, less on-lending. The amount does not include the deficiency in net assets of the Crown corporations, Nova Scotia Resources Limited and Sydney Steel Corporation, nor certain pension liabilities.

PROJECTED CONSOLIDATED STATEMENT of NET DIRECT DEBT

Schedule 19

($ millions)

	ACTUAL 2000-2001	*FORECAST 2001-2002*	*ESTIMATE 2002-2003*	*ESTIMATE 2003-2004*	*ESTIMATE 2004-2005*	*ESTIMATE 2005-2006*
Opening Balance	**11,230.7**	**11,348.3**	**11,537.7**	**11,638.1**	**11,740.9**	**11,833.7**
Add (Deduct):						
Provincial (Surplus) Deficit	(147.3)	106.3	(1.3)	—	—	—
Increase (Decrease) in the Net Book Value of Tangible Capital Assets	264.9	83.1	101.7	102.8	92.8	82.8
Increase (Decrease) in Net Direct Debt	**117.6**	**189.4**	**100.4**	**102.8**	**92.8**	**82.8**
Closing Balance	**11,348.3**	**11,537.7**	**11,638.1**	**11,740.9**	**11,833.7**	**11,916.5**

Net Direct Debt

Net Direct Debt is calculated by subtracting the financial assets from the liabilities and adjusting for capital assets.